Sberbank of Russia and its subsidiaries

Interim Condensed Consolidated Financial Statements
and Report on Review

31 March 2018

SBERBANK

Interim Condensed Consolidated Financial Statements and Report on Review

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Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and the Supervisory Board of Sberbank of Russia

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Sberbank of Russia and its subsidiaries (the "Group") as at 31 March 2018 and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

29 May 2018
Moscow, Russian Federation

АКЦИОНЕРНОЕ ОБЩЕСТВО * ОГРН 1027700148431
ПрайсвотерхаусКуперс Аудит
PricewaterhouseCoopers Audit
pwc
МОСКВА

E.N. Kriventsev, engagement partner and certified auditor (licence no. 01-000198)
AO PricewaterhouseCoopers Audit

Audited entity: Sberbank of Russia

Main state registration number: 1027700132195, issued on 16 August 2002

Address: 117997, Russian Federation, Moscow, Vavilova 19

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate number 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration number 1027700148431

Member of Self-regulated organisation of auditors "Russian Union of auditors" (Association)

Main registration record number 11603050547 in the register of auditors and audit organizations

SBERBANK

Interim Consolidated Statement of Financial Position

in billions of Russian Roubles	Note	31 March 2018 (unaudited)	31 December 2017
ASSETS			
Cash and cash equivalents		2,119.5	2,329.4
Mandatory cash balances with central banks		411.3	427.1
Due from banks		1,298.4	1,317.8
Loans and advances to customers	5	18,579.3	18,488.1
Securities	6	3,244.1	3,030.5
Financial instruments pledged under repurchase agreements	7	228.9	258.9
Derivative financial assets		154.2	140.9
Deferred tax asset		22.7	15.5
Premises and equipment		520.2	516.2
Assets of the disposal groups and non-current assets held for sale		12.0	10.5
Other assets	8	676.4	577.3
TOTAL ASSETS		**27,267.0**	**27,112.2**
LIABILITIES			
Due to banks		619.2	693.3
Due to individuals	9	13,316.5	13,420.3
Due to corporate customers	9	6,445.3	6,393.9
Debt securities in issue		986.8	934.6
Other borrowed funds		226.5	247.3
Derivative financial liabilities and obligations to deliver securities		156.5	164.4
Deferred tax liability		10.6	27.7
Other liabilities	10	1,211.2	1,078.4
Subordinated debt		710.9	716.3
TOTAL LIABILITIES		**23,683.5**	**23,676.2**
EQUITY			
Share capital and share premium		320.3	320.3
Treasury shares		(10.2)	(15.3)
Other reserves	16	61.7	68.4
Retained earnings		3,207.3	3,058.6
Total equity attributable to shareholders of the Bank		**3,579.1**	**3,432.0**
Non-controlling interest		4.4	4.0
TOTAL EQUITY		**3,583.5**	**3,436.0**
TOTAL LIABILITIES AND EQUITY		**27,267.0**	**27,112.2**

Approved for issue and signed on behalf of the Executive Board on 29 May 2018.

Herman Gref,
Chairman of the Executive Board and CEO

Marina Lukianova,
Chief Accountant

SBERBANK

Interim Consolidated Statement of Profit or Loss

(unaudited) *in billions of Russian Roubles*	Note	Three months ended 31 March 2018	 2017
Interest income calculated using the effective interest method	11	543.1	558.1
Other interest income	11	32.0	7.5
Interest expense calculated using the effective interest method	11	(193.5)	(214.3)
Other interest expense	11	(4.4)	(0.5)
Deposit insurance expenses	11	(18.6)	(14.2)
Net interest income	**11**	**358.6**	**336.6**
Net credit loss allowance charge for debt financial assets		(49.1)	(67.4)
Net interest income after credit loss allowance charge for debt financial assets		**309.5**	**269.2**
Fee and commission income	12	134.0	106.4
Fee and commission expense	12	(32.5)	(22.8)
Net gains from non-derivative financial instruments at fair value through profit or loss (2017: Net gains from trading securities and securities designated as at fair value through profit or loss)		4.7	0.8
Net gains from financial instruments at fair value through other comprehensive income (2017: Net gains from investment securities available-for-sale)		3.1	16.8
Net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	13	0.3	(11.1)
Impairment of non-financial assets		(7.1)	(6.2)
Net charge for other provisions		(7.4)	(7.2)
Revenue of non-core business activities		12.1	9.5
Cost of sales and other expenses of non-core business activities		(9.2)	(9.3)
Net premiums from insurance and pension fund operations		138.0	129.0
Net claims, benefits, change in contract liabilities and acquisition costs on insurance and pension fund operations		(128.4)	(122.8)
Income from operating lease of equipment		1.1	0.3
Expenses related to equipment leased out		(0.6)	(0.2)
Other net operating income		4.2	2.6
Operating income		**421.8**	**355.0**
Staff and administrative expenses	14	(157.4)	(147.1)
Profit before tax		**264.4**	**207.9**
Income tax expense		(52.3)	(41.3)
Profit for the period		**212.1**	**166.6**
Attributable to:			
- shareholders of the Bank		212.0	167.8
- non-controlling interest		0.1	(1.2)
Earnings per ordinary share attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	**15**	**9.84**	**7.79**

Approved for issue and signed on behalf of the Executive Board on 29 May 2018.

Herman Gref,
Chairman of the Executive Board and CEO

Marina Lukianova,
Chief Accountant

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Interim Consolidated Statement of Comprehensive Income

(unaudited) *in billions of Russian Roubles*	Three months ended 31 March 2018	 2017
Profit for the period	**212.1**	**166.6**
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods		
Debt financial instruments measured at fair value through other comprehensive income (2017: Investment securities available-for-sale):		
- Net change in fair value, net of tax (2017: Net gains on revaluation of investment securities available-for-sale, net of tax)	10.4	7.9
- Impairment transferred to profit or loss, net of tax	—	0.1
- Accumulated gains transferred to profit or loss upon disposal, net of tax	(2.5)	(13.4)
Exchange differences on translating foreign operations for the period	(6.2)	(22.9)
Total other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods, net of tax	**1.7**	**(28.3)**
Items that will not be reclassified to profit or loss in subsequent periods		
Change in valuation of office premises transferred to other classes of assets, net of tax	(0.8)	—
Remeasurement of defined benefit pension plans	0.2	(0.1)
Total other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(0.6)**	**(0.1)**
Total other comprehensive income / (loss)	**1.1**	**(28.4)**
Total comprehensive income for the period	**213.2**	**138.2**
Attributable to:		
- shareholders of the Bank	213.1	139.4
- non-controlling interest	0.1	(1.2)

Interim Consolidated Statement of Changes in Equity

in billions of Russian Roubles	Note	Share capital	Share premium	Treasury shares	Other reserves (Note 16)	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to shareholders of the Bank							
Balance as at 31 December 2016		**87.7**	**232.6**	**(7.9)**	**70.0**	**2,435.7**	**2,818.1**	**3.5**	**2,821.6**
Changes in equity for the three months ended 31 March 2017 (unaudited)									
Net result from treasury shares transactions		—	—	0.1	—	—	0.1	—	0.1
Transfer of revaluation reserve for office premises upon disposal or depreciation		—	—	—	(0.7)	0.7	—	—	—
Changes in ownership interest in subsidiaries		—	—	—	—	—	—	(1.0)	(1.0)
Profit / (loss) for the period		—	—	—	—	*167.8*	*167.8*	*(1.2)*	*166.6*
Other comprehensive loss for the period		—	—	—	*(28.4)*	—	*(28.4)*	—	*(28.4)*
Total comprehensive (loss) / income for the period		—	—	—	(28.4)	167.8	139.4	(1.2)	138.2
Balance as at 31 March 2017 (unaudited)		**87.7**	**232.6**	**(7.8)**	**40.9**	**2,604.2**	**2,957.6**	**1.3**	**2,958.9**
Balance as at 31 December 2017		**87.7**	**232.6**	**(15.3)**	**68.4**	**3,058.6**	**3,432.0**	**4.0**	**3,436.0**
Impact of adopting IFRS 9 as at 1 January 2018 (unaudited)	**4**	**—**	**—**	**—**	**(7.1)**	**(62.4)**	**(69.5)**	**—**	**(69.5)**
Restated balance as at 1 January 2018 (unaudited)		**87.7**	**232.6**	**(15.3)**	**61.3**	**2,996.2**	**3,362.5**	**4.0**	**3,366.5**
Changes in equity for the three months ended 31 March 2018 (unaudited)									
Net result from treasury shares transactions		—	—	5.1	—	(1.6)	3.5	—	3.5
Transfer of revaluation reserve for office premises upon disposal or depreciation		—	—	—	(0.7)	0.7	—	—	—
Changes in ownership interest in subsidiaries		—	—	—	—	—	—	0.3	0.3
Profit for the period		—	—	—	—	*212.0*	*212.0*	*0.1*	*212.1*
Other comprehensive income for the period		—	—	—	*1.1*	—	*1.1*	—	*1.1*
Total comprehensive income for the period		—	—	—	1.1	212.0	213.1	0.1	213.2
Balance as at 31 March 2018 (unaudited)		**87.7**	**232.6**	**(10.2)**	**61.7**	**3,207.3**	**3,579.1**	**4.4**	**3,583.5**

Interim Consolidated Statement of Cash Flows

(unaudited) *in billions of Russian Roubles*	Three months ended 31 March 2018	Three months ended 31 March 2017
Cash flows from operating activities		
Interest income calculated using the effective interest method received	519.7	549.3
Other interest income received	31.7	7.6
Interest expense calculated using the effective interest method paid	(168.9)	(200.8)
Other interest expense paid	(5.8)	(1.5)
Deposit insurance expenses paid	(14.6)	(13.8)
Fees and commissions received	135.2	104.7
Fees and commissions paid	(35.1)	(21.5)
Net gains received on non-derivative financial instruments at fair value through profit or loss (2017: Net gains received from trading securities and net (losses incurred) / gains received on securities designated as at fair value through profit or loss)	2.1	0.8
Net gains received from financial instruments at fair value through other comprehensive income	8.1	22.0
Dividends received	0.1	0.1
Net (losses incurred) / gains received on derivatives, trading in foreign currencies and operations with precious metals	(17.0)	27.7
Revenue received from non-core business activities	9.0	8.0
Expenses paid on non-core business activities	(11.2)	(6.6)
Insurance premiums received	40.7	25.9
Claims, benefits and acquisition costs on insurance operations paid	(2.2)	(0.8)
Pension fund premiums received	95.2	102.5
Claims, benefits and acquisition costs on pension fund operations paid	(14.8)	(20.1)
Income received from operating lease of equipment	1.6	0.6
Expenses paid related to equipment leased out	(0.2)	(0.1)
Other net operating income received	3.3	2.3
Staff and administrative expenses paid	(85.6)	(92.0)
Income tax paid	(67.3)	(63.6)
Cash flows from operating activities before changes in operating assets and liabilities	**424.0**	**430.7**
Changes in operating assets and liabilities		
Net decrease in mandatory cash balances with central banks	17.1	3.0
Net increase in due from banks	(18.1)	(309.7)
Net (increase) / decrease in loans and advances to customers	(267.2)	29.7
Net increase in securities	(88.3)	(109.6)
Net increase in derivative financial assets	(2.0)	(1.7)
Net increase in other assets	(96.1)	(15.6)
Net (decrease) / increase in due to banks	(105.8)	17.5
Net (decrease) / increase in due to individuals	(133.2)	97.4
Net increase / (decrease) in due to corporate customers	80.7	(228.3)
Net increase / (decrease) in debt securities in issue	56.0	(171.6)
Net decrease in other borrowed funds	(17.9)	(6.7)
Net increase / (decrease) in derivative financial liabilities and obligations to deliver securities	6.0	(8.0)
Net decrease in other liabilities	(39.5)	(27.6)
Net cash used in operating activities	**(184.3)**	**(300.5)**

Interim Consolidated Statement of Cash Flows (Continued)

(unaudited) *in billions of Russian Roubles*	Three months ended 31 March 2018	 2017
Cash flows from investing activities		
Acquisition of premises, equipment and intangible assets	(14.4)	(17.0)
Proceeds from disposal of premises, equipment and intangible assets including insurance payments	2.0	2.2
Acquisition of investment property	(0.1)	—
Proceeds from disposal of investment property	—	0.2
Acquisition of associates	(0.1)	—
Acquisition of subsidiaries net of cash acquired	(1.0)	—
Proceeds from disposal of subsidiaries net of cash disposed	0.1	0.1
Net cash used in investing activities	**(13.5)**	**(14.5)**
Cash flows from financing activities		
Redemption of subordinated debt	(20.0)	—
Cash received from non-controlling shareholders	0.5	0.1
Purchase of treasury shares	(1.7)	(0.2)
Proceeds from disposal of treasury shares	5.2	0.2
Net cash used in financing activities	**(16.0)**	**0.1**
Effect of exchange rate changes on cash and cash equivalents	4.1	(66.0)
Net effect of changes in cash and cash equivalents included in disposal groups	(0.2)	—
Net decrease in cash and cash equivalents	**(209.9)**	**(380.9)**
Cash and cash equivalents as at the beginning of the period	**2,329.4**	**2,560.8**
Cash and cash equivalents as at the end of the period	**2,119.5**	**2,179.9**

1 Introduction

These interim condensed consolidated financial statements of Sberbank of Russia (Sberbank, the "Bank") and its subsidiaries (together referred to as the "Group" or "Sberbank Group") have been prepared in accordance with IAS 34 "Interim Financial Reporting" for the three months ended 31 March 2018. Principal subsidiaries include Russian and foreign commercial banks and other companies controlled by the Group. A list of principal subsidiaries included in these interim condensed consolidated financial statements is disclosed in Note 23.

The Bank is a public joint-stock commercial bank established in 1841 and operating in various forms since then. The Bank was incorporated and is domiciled in the Russian Federation. The Bank's principal shareholder, the Central Bank of the Russian Federation (the "Bank of Russia"), owns 52.3% of ordinary shares or 50.0% plus 1 share of the issued and outstanding ordinary and preferred shares as at 31 March 2018 (31 December 2017: 52.3% of ordinary shares or 50.0% plus 1 share of the issued and outstanding ordinary and preferred shares).

As at 31 March 2018 the Supervisory Board of the Bank is headed by Sergey M. Ignatiev, Chairman of the Bank of Russia in the period of 2002-2013. The Supervisory Board of the Bank includes representatives from both the Bank's principal shareholder and other shareholders as well as independent directors.

The Bank operates under a general banking license issued by the Bank of Russia since 1991. In addition, the Bank holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer, a custodian. The Bank is regulated and supervised by the Bank of Russia as a united regulator for banking, insurance and financial markets activities in the Russian Federation. The Group's banks/companies operate under the banking/companies regulatory regimes of their respective countries.

The Group's principal business activity is corporate and retail banking. This includes, but is not limited to, deposit taking and commercial lending in freely convertible currencies, local currencies of countries where the subsidiary banks operate and in Russian Roubles, support of clients' export/import transactions, foreign exchange, securities trading, and trading in derivative financial instruments. The Group's operations are conducted in both Russian and international markets. As at 31 March 2018 the Group conducts its business in Russia through Sberbank with its network of 14 (31 December 2017: 14) regional head offices, 78 (31 December 2017: 78) branches and 14 281 (31 December 2017: 14,312) sub-branches, and through principal subsidiaries located in Russia such as JSC Sberbank Leasing, LLC Sberbank Capital, CIB group companies, JSC Non-state Pension Fund of Sberbank, Insurance company "Sberbank life insurance" LLC, Insurance company "Sberbank insurance" LLC, Sberbank Factoring LLC and Cetelem Bank LLC (former BNP Paribas Vostok LLC). The Group carries out banking operations in Turkey, Ukraine, Belarus, Kazakhstan, Austria, Switzerland and other countries of Central and Eastern Europe and also conducts operations through a branch office in India, representative offices in Germany and China and CIB group companies' located in the United States of America, the United Kingdom, Cyprus and certain other jurisdictions.

The actual headcount of the Group's full-time employees as at 31 March 2018 was 304,997 (31 December 2017: 310,277).

Registered address and place of business. The Bank's registered address is: Vavilova str., 19, Moscow, Russian Federation.

Presentation currency. These interim condensed consolidated financial statements are presented in Russian Roubles ("RR"). All amounts are expressed in RR billions unless otherwise stated.

At 31 March 2018 the principal rates of exchange used for translating foreign currency monetary balances and each entity's functional currency into the Group's presentation currency were as follows:

	/RR	/UAH	/BYN	/KZT	/EUR	/CHF	/TRY
RR/	1.000	0.460	0.034	5.561	0.014	0.017	0.069
USD/	57.265	26.315	1.953	318.441	0.812	0.953	3.958
EUR/	70.562	32.425	2.406	392.383	1.000	1.174	4.877

1 Introduction (continued)

At 31 December 2017 the principal rates of exchange used for translating each entity's functional currency into the Group's presentation currency and foreign currency monetary balances were as follows:

	/RR	/UAH	/BYR	/KZT	/EUR	/CHF	/TRY
RR/	1.000	0.488	0.034	5.774	0.015	0.017	0.066
USD/	57.600	28.104	1.979	332.595	0.836	0.977	3.780
EUR/	68.867	33.601	2.366	397.651	1.000	1.168	4.519

2 Basis of Preparation and Significant Accounting Policies

Basis of Preparation. These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2017.

These interim condensed consolidated financial statements do not contain all the explanatory notes as required for a full set of consolidated financial statements.

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2017, except for income tax expense which is recognized in these interim condensed consolidated financial statements based on management's best estimates of the weighted average income tax rate expected for the full financial year, and except for the changes introduced due to implementation of new and revised standards and interpretations (Note 4). New significant accounting policies applicable from 1 January 2018 are detailed below.

Financial instruments – Key measurement terms. Depending on their classification financial instruments are carried at fair value, or amortized cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. Fair value is the current bid price for financial assets, current ask price for financial liabilities and the average of current bid and ask prices when the Group is both in short and long position for the financial instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis. Valuation techniques are used to fair value certain financial instruments for which external market pricing information is not available. Such valuation techniques include discounted cash flows models, generally accepted option pricing models, models based on recent arm's length transactions or consideration of financial data of the investees. Valuation techniques may require assumptions not supported by observable market data. Refer to Note 20 for more information on fair values and fair value measurement used.

Amortized cost is the amount at which the financial instrument was measured at initial recognition less any principal repayments, plus accrued interest, and for financial assets, adjusted for any expected credit loss allowance. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount and premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related consolidated statement of financial position items.

Gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

2 Basis of Preparation and Significant Accounting Policies (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. The calculation of the effective interest rate includes transaction costs and fees and commissions paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Initial recognition of financial instruments. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Group commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Classification of financial instruments. From 1 January 2018 on initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give right on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give right on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

2 Basis of Preparation and Significant Accounting Policies (continued)

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment. The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio management as well as compliance with those policies and practice. In particular, whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money - e.g. periodical reset of interest rates, which is not consistent with the interest payment period.

The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or repay the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate within market interest rate corridor in a way that it always represents consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassification of financial assets. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The reclassification has a prospective effect.

2 Basis of Preparation and Significant Accounting Policies (continued)

Financial liabilities. The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Interest income and expense calculated using effective interest method recognition. Interest income and expense are recorded for debt instruments measured at amortised cost or at FVOCI on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Financial assets that have become credit-impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (net of the expected credit loss (“ECL”) provision); and
- Financial assets that are purchased or originated credit-impaired, for which the original credit-adjusted effective interest rate is applied to the amortized cost.

Other interest income and expense. Other interest income and expense represents interest income and expense recorded for debt instruments measured at FVTPL and is recognised on an accrual basis using nominal interest rate.

Fee and commission income and expense. All other fees, commissions and other income and expense items are generally recorded on an accrual basis over the period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs, usually on a straight- line basis.

Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned when the Group satisfies the performance obligation are recorded upon the completion of the transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, over the period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs, usually on a straight-line basis. Asset management fees relating to investment funds are recognised over the period in which services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs, usually on a straight-line basis. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

In addition to critical accounting estimates and judgements in applying accounting policices disclosed in the annual consolidated financial statements for the year ended 31 December 2017, the Group made judgements related to implementation and application of IFRS 9 as detailed below.

Classification of financial assets (from 1 January 2018). Assessment of the business models within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding are disclosed in Notes 2 and 4.

Measurement of ECL allowance (from 1 January 2018). The measurement of expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associate ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Information on the inputs, assumptions, estimation techniques and judgements used in measuring ECL is further detailed in Note 18.

4 Adoption of New or Revised Standards and Interpretations, Reclassifications

IFRS 9 "Financial Instruments". The Group has adopted IFRS 9 "Financial Instruments" issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarized below.

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at FVOCI and those to be measured subsequently at FVTPL.
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). If a debt instrument is held to collect, it may be carried at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets is classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. For an explanation of how the Group classifies financial assets under IFRS 9, see further in this Note.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

4 Adoption of New or Revised Standards and Interpretations, Reclassifications (continued)

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. For an explanation of how the Group classifies financial liabilities under IFRS 9, see further in this Note.

- IFRS 9 replaces the incurred loss model in IAS 39 with the ECL model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that the Group have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. For an explanation of how the Group applies the impairment requirements of IFRS 9, see further in Note 18.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging. The Group has elected to continue to apply the hedge accounting requirements of IAS 39.

Transition. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Amounts for the previous periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held,
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL,
  - The designation of certain investments in equity instruments not held for trading at FVOCI,
  - For financial liabilities designated at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition. The financial instrument has a low risk of default if the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

4 Adoption of New or Revised Standards and Interpretations, Reclassifications (continued)

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018.

(unaudited) *in billions of Russian Roubles*	Measurement category under IAS 39	Measurement category under IFRS 9	IAS 39 carrying amount 31 December 2017	Reclassi-fication	Remeasurement under IFRS 9	IFRS 9 carrying amount 1 January 2018
Financial assets						
Cash and cash equivalents	Loans and receivables	Amortized cost	2,329.4	(4.3)	(0.2)	2,324.9
Cash and cash equivalents	Loans and receivables	FVTPL (mandatorily)	—	4.3	—	4.3
Total cash and cash equivalents			**2,329.4**	**—**	**(0.2)**	**2,329.2**
Mandatory cash balances with central banks	Loans and receivables	Amortized cost	427.1	—	—	427.1
Due from banks	Loans and receivables	Amortized cost	1,317.8	(337.8)	(2.1)	977.9
Due from banks	Loans and receivables	FVTPL (mandatorily)	—	309.2	0.8	310.0
Total due from banks			**1,317.8**	**(28.6)**	**(1.3)**	**1,287.9**
Loans and advances to customers	Loans and receivables	Amortized cost	18,488.1	(607.4)	(73.4)	17,807.3
Loans and advances to customers	Loans and receivables	FVTPL (mandatorily)	—	565.4	(4.2)	561.2
Total loans and advances to customers			**18,488.1**	**(42.0)**	**(77.6)**	**18,368.5**
Securities	FVTPL	FVTPL (mandatorily)	84.2	291.6	—	375.8
Securities	FVTPL (designated)	FVTPL (designated)	429.0	(429.0)	—	—
Securities	Available-for-sale	FVOCI	1,743.7	8.7	—	1,752.4
Securities	Held-to-maturity	Amortized cost	773.6	199.3	(3.3)	969.6
Total securities			**3,030.5**	**70.6**	**(3.3)**	**3,097.8**
Securities pledged under repo agreements	FVTPL	FVTPL (mandatorily)	0.4	—	—	0.4
Securities pledged under repo agreements	Held-to-maturity	Amortized cost	33.8	—	—	33.8
Securities pledged under repo agreements	Available-for-sale	FVOCI	224.7	—	—	224.7
Total financial instruments pledged under repurchase agreements			**258.9**	**—**	**—**	**258.9**
Derivative financial instruments	FVTPL	FVTPL (mandatorily)	140.9	—	—	140.9
Other financial assets	Loans and receivables	Amortized cost	253.1	—	(2.6)	250.5
Total financial assets			**26,245.8**	**—**	**(85.0)**	**26,160.8**
Financial liabilities						
Due to banks	Amortized cost	Amortized cost	693.3	(254.3)	—	439.0
Due to banks	Amortized cost	FVTPL (designated)	—	254.3	0.2	254.5
Total due to banks			**693.3**	**—**	**0.2**	**693.5**
Due to individuals	Amortized cost	Amortized cost	13,420.3	—	—	13,420.3
Due to corporate customers	Amortized cost	Amortized cost	6,393.9	(0.6)	—	6,393.3
Due to corporate customers	Amortized cost	FVTPL (designated)	—	0.6	—	0.6
Total due to corporate customers			**6,393.9**	**—**	**—**	**6,393.9**
Debt securities in issue	Amortized cost	Amortized cost	934.6	—	—	934.6
Other borrowed funds	Amortized cost	Amortized cost	247.3	—	—	247.3
Derivative financial liabilities and obligations to deliver securities	FVTPL	FVTPL (mandatorily)	164.4	—	—	164.4
Other financial liabilities and credit loss allowance for credit related commitments and provision for other commitments	Amortized cost	Amortized cost	317.8	—	1.6	319.4
Subordinated debt	Amortized cost	Amortized cost	716.3	—	—	716.3
Total financial liabilities			**22,887.9**	**—**	**1.8**	**22,889.7**

4 Adoption of New or Revised Standards and Interpretations, Reclassifications (continued)

The above table represents the transition effect to IFRS 9 of financial assets and liabilities before taxation. Related tax effect amounted to RR 17.3 billion increase in deferred tax asset.

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2. The application of these policies resulted in the reclassifications set out in the table above and explained below.

- A portfolio of short-term placements with banks and reverse repo agreements (accounted within financial statement captions Cash and cash equivalents, Due from banks and Loans and advances to customers) was previously measured at amortized cost under IAS 39. The Group has clarified and amended its business model in respect of this portfolio as at 1 January 2018 and classified respective financial assets as measured at fair value through profit or loss under IFRS 9. In addition, the Group has designated financial liabilities associated with these financial assets at fair value through profit or loss to eliminate an accounting mismatch that would otherwise arise.
- Certain loans and advances to customers mainly held by the Group’s corporate-investment banking business are classified under IFRS 9 as mandatorily measured at fair value through profit or loss because the contractual cash flows of these assets are not solely payments of principal and interest on the principal amount outstanding.
- Certain debt securities held by the Group were originally designated at fair value through profit or loss. The Group holds those assets to meet stress liquidity needs and to maximize the Group’s return. The return consists of collecting contractual payments as well as gains and losses from the sale of financial assets. The Group considers that under IFRS 9 this portfolio of financial assets shall be separated into trading portfolio and portfolio for collection of contractual payments.

4 Adoption of New or Revised Standards and Interpretations, Reclassifications (continued)

The following table analyses the impact, net of tax, of transition to IFRS 9 on reserves and retained earnings. There is no impact on other components of equity.

(unaudited) *In billions of Russian Roubles*	**Impact of adopting IFRS 9 at 1 January 2018**
Fair value reserve for investment securities available-for-sale under IAS 39 (31 December 2017)	**35.3**
Reclassification of investment securities from available-for-sale to FVTPL	(13.0)
Recognition of ECL under IFRS 9 for debt financial assets at FVOCI	5.9
Fair value reserve for debt securities measured at FVOCI under IFRS 9 (1 January 2018)	**28.2**
Retained earnings under IAS 39 (31 December 2017)	**3,058.6**
Reclassification of debt and equity investment securities from available-for-sale to FVTPL	13.0
Remeasurement to fair value for reclassified financial instruments under IFRS 9	(3.0)
Recognition of ECL under IFRS 9 for debt financial assets at FVOCI	(5.9)
Recognition of ECL under IFRS 9 for debt financial assets at amortized cost and credit related commitments	(66.5)
Retained earnings under IFRS 9 (1 January 2018)	**2,996.2**

The following table reconciles:

- the closing loss allowance for financial assets in accordance with IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 as at 31 December 2017; to
- the credit loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

(unaudited) *in billions of Russian Roubles*	**31 December 2017 (IAS 39/IAS 37)**	**Reclassification under IFRS 9**	**Remeasurement under IFRS 9**	**1 January 2018 (IFRS 9)**
Due from banks, loans and advances to customers and investment securities held to maturity under IAS 39 / financial assets at amortised cost under IFRS 9	1,406.7	(28.0)	144.8	1,523.5
Available-for-sale debt investment securities under IAS 39/debt investment securities at FVOCI under IFRS 9	—	—	5.9	5.9
Other financial assets	5.9	—	2.6	8.5
Credit related commitments	22.2	—	1.6	23.8
Total	**1,434.8**	**(28.0)**	**154.9**	**1,561.7**

As at 1 January 2018 the amount of remeasurement of the credit loss allowance for financial assets at amortized cost includes RR 65.8 billion related to increase of the gross carrying amount of those assets and related credit loss allowance to reflect all interest contractually receivable at this date.

4 Adoption of New or Revised Standards and Interpretations, Reclassifications (continued)

Adoption of IFRS 15. The Group adopted IFRS 15 "Revenue from Contracts with Customers" with the date of initial application as of 1 January 2018, which did not result in any material impact on the Group.

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group:

- Amendments to IFRS 2 "Share-based Payment" (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" – Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22 – "Foreign Currency Transactions and Advance Consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Changes in presentation and reclassifications. Starting from 1 January 2018 the Group changed presentation of financial instruments following the application of IFRS 9. In these interim condensed consolidated financial statements the Group changed presentation of the interim consolidated statement of financial position as at 31 December 2017 and interim consolidated statement of profit or loss for the three months ended 31 March 2017. These changes were implemented to increase comparability of the financial information for 2017 with the respective information for 2018. The effect of changes on the consolidated statement of financial position as at 31 December 2017 is as follows:

(unaudited) *in billions of Russian Roubles*	As previously reported	Reclassification	As reclassified
Assets			
Financial assets at fair value through profit or loss	654.1	(654.1)	—
Securities pledged under repurchase agreements	258.9	(258.9)	—
Investment securities available-for-sale	1,743.7	(1,743.7)	—
Investment securities held-to-maturity	773.6	(773.6)	—
Other financial assets	253.1	(253.1)	—
Other non-financial assets	324.2	(324.2)	—
Securities	—	3,030.5	3,030.5
Financial instruments pledged under repurchase agreements	—	258.9	258.9
Derivative financial assets	—	140.9	140.9
Other assets	—	577.3	577.3
Liabilities			
Financial liabilities at fair value through profit or loss other than debt securities in issue	164.4	(164.4)	—
Derivative financial liabilities and obligations to deliver securities	—	164.4	164.4
Provisions on insurance and pension fund operations	688.1	(688.1)	—
Other financial liabilities	289.9	(289.9)	—
Other non-financial liabilities	100.4	(100.4)	—
Other liabilities	—	1,078.4	1,078.4

4 Adoption of New or Revised Standards and Interpretations, Reclassifications (continued)

The effect of changes on the interim consolidated statement of profit and loss for the three months ended 31 March 2017 is as follows:

(unaudited) *in billions of Russian Roubles*	As previously reported	Reclassification	As reclassified
Interest income	565.6	(565.6)	—
Interest income calculated using the effective interest method	—	558.1	558.1
Other interest income	—	7.5	7.5
Interest expense	(214.8)	214.8	—
Interest expense calculated using the effective interest method	—	(214.3)	(214.3)
Other interest expense	—	(0.5)	(0.5)
Net provision charge for impairment of debt financial assets	(67.3)	67.3	—
Impairment of investment securities available-for-sale	(0.1)	0.1	—
Net credit loss allowance charge for debt financial assets	—	(67.4)	(67.4)
Fee and commission income	103.2	3.2	106.4
Net losses from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	(10.6)	10.6	—
Net gains from operations with precious metals, precious metals derivatives and precious metals accounts translation	2.0	(2.0)	—
Net gains / (losses) from operations with other derivatives	0.7	(0.7)	—
Net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	—	(11.1)	(11.1)
Impairment of premises, equipment and intangible assets	(2.5)	2.5	—
Goodwill impairment	(3.7)	3.7	—
Impairment of non-financial assets	—	(6.2)	(6.2)
Other net operating income	2.9	(0.3)	2.6
Income from operating lease of equipment	—	0.3	0.3
Expenses related to equipment leased out	—	(0.2)	(0.2)
Staff and administrative expenses	(147.3)	0.2	(147.1)

In 2018 the Group changed presentation of the interim consolidated statement of cash flows to reflect impact of adoption of IFRS 9 and to improve presentation of cash flows related to certain assets and liabilities. Those assets and liabilities are rather operating for the Group and since 2018 the cash flows related to those assets and liabilities are presented in the cash flows from operating activities.

4 Adoption of New or Revised Standards and Interpretations, Reclassifications (continued)

The effect of changes on the interim consolidated statement of cash flows for the three months ended 31 March 2017 is as follows:

(unaudited) *in billions of Russian Roubles*	As previously reported	Reclassification	As reclassified
Cash flows from operating activities			
Interest received	510.9	(510.9)	—
Interest income calculated using the effective interest method received	—	549.3	549.3
Other interest income received	—	7.6	7.6
Interest paid	(189.4)	189.4	—
Interest expense calculated using the effective interest method paid	—	(200.8)	(200.8)
Other interest expense paid	—	(1.5)	(1.5)
Net gains received on non-derivative financial instruments at fair value through profit or loss	—	0.8	0.8
Net gains received from financial instruments at fair value through other comprehensive income	—	22.0	22.0
Net (losses incurred) / gains received from securities designated as at fair value through profit or loss	(1.2)	1.2	—
Net gains received from trading securities	0.8	(0.8)	—
Net gains received from trading in foreign currencies and from operations with foreign currency derivatives	25.6	(25.6)	—
Net gains received from operations with other derivatives	1.2	(1.2)	—
Net gains received from operations with precious metals and precious metals derivatives	1.5	(1.5)	—
Net gains received (losses incurred) on derivatives, trading in foreign currencies and operations with precious metals	—	27.7	27.7
Net other income received	2.7	(0.4)	2.3
Income received from operating lease of equipment	—	0.6	0.6
Expenses paid related to equipment leased out	—	(0.1)	(0.1)
Changes in operating assets and liabilities			
Net increase in securities	—	(109.6)	(109.6)
Net increase in derivative financial assets	—	(1.7)	(1.7)
Net increase in financial assets at fair value through profit or loss	(26.6)	26.6	—
Net decrease in financial liabilities at fair value through profit or loss other than debt securities in issue	(8.0)	8.0	—
Net increase in other borrowed funds	—	(6.7)	(6.7)
Net increase in debt securities in issue	(20.4)	(151.2)	(171.6)
Net increase in derivative financial liabilities and obligations to deliver securities	—	(8.0)	(8.0)
Cash flows from investing activities			
Purchase of investment securities available-for-sale	(353.4)	353.4	—
Proceeds from disposal and redemption of investment securities available-for-sale	325.4	(325.4)	—
Interest received on investment securities available-for-sale	35.4	(35.4)	—
Purchase of investment securities held-to-maturity	(30.1)	30.1	—
Proceeds from redemption of investment securities held-to-maturity	1.3	(1.3)	—
Interest received on investment securities held-to-maturity	10.8	(10.8)	—
Cash flows from financing activities			
Other borrowed funds received	49.1	(49.1)	—
Redemption of other borrowed funds	(55.8)	55.8	—
Interest on other borrowed funds paid	(1.6)	1.6	—
Interest on subordinated debt paid	(1.8)	1.8	—
Redemption of loan participation notes issued	(156.8)	156.8	—
Interest on loan participation notes issued paid	(9.3)	9.3	—

4 Adoption of New or Revised Standards and Interpretations, Reclassifications (continued)

Beginning from the first quarter of 2018 the Group refined the methodology for classification of project finance loans to legal entities since models of credit risk management for clients with project risk profile were refined. The comparative information as at 31 December 2017 was amended accordingly.

(unaudited) *in billions of Russian Roubles*	**As previously reported**	**Reclassification**	**As reclassified**
Gross carrying amount of commercial loans to legal entities	10,468.1	1,927.3	12,395.4
Commercial loans to legal entities - credit loss allowance	(853.3)	(155.7)	(1,009.0)
Gross carrying amount of specialized loans to legal entites	3,706.5	(3,706.5)	—
Specialized loans to legal entites – provision for loan impairment	(316.1)	316.1	—
Gross carrying amount of project finance loans to legal entites	—	1,779.2	1,779.2
Project finance loans to legal entites – credit loss allowance	—	(160.4)	(160.4)

5 Loans and Advances to Customers

in billions of Russian Roubles	31 March 2018 (unaudited)	31 December 2017
Loans and advances to customers at amortized cost	17,877.0	18,488.1
Loans and advances to customers at fair value through profit or loss	702.3	—
Total loans and advances to customers	**18,579.3**	**18,488.1**

Loans and advances to customers at amortized cost

			31 March 2018 (unaudited)
in billions of Russian Roubles	Gross carrying amount	Credit loss allowance	Amortized cost
Commercial loans to legal entities	11,952.5	(1,027.8)	10,924.7
Project finance loans to legal entities	1,494.3	(200.6)	1,293.7
Mortgage loans to individuals	3,344.9	(78.4)	3,266.5
Consumer and other loans to individuals	1,812.2	(133.1)	1,679.1
Credit cards and overdrafts to individuals	671.2	(69.9)	601.3
Car loans to individuals	122.1	(10.4)	111.7
Total loans and advances to customers at amortized cost	**19,397.2**	**(1,520.2)**	**17,877.0**

			31 December 2017
in billions of Russian Roubles	Carrying amount before provision	Provision for impairment	Amortized cost
Commercial loans to legal entities	12,395.4	(1,009.0)	11,386.4
Project finance loans to legal entities	1,779.2	(160.4)	1,618.8
Mortgage loans to individuals	3,190.6	(59.7)	3,130.9
Consumer and other loans to individuals	1,725.9	(108.9)	1,617.0
Credit cards and overdrafts to individuals	678.9	(57.1)	621.8
Car loans to individuals	121.2	(8.0)	113.2
Total loans and advances to customers at amortized cost	**19,891.2**	**(1,403.1)**	**18,488.1**

5 Loans and Advances to Customers (continued)

Commercial loans to legal entities comprise corporate loans, loans to individual entrepreneurs, federal bodies and municipal authorities. Loans are granted for current needs (working capital financing, acquisition of movable and immovable property), portfolio investments, expansion and consolidation of business, etc. The repayment source is cash flow from current production and financial activities of the borrower.

Project finance loans to legal entities include investment and construction project financing and also developers' financing. As a rule, loan terms are linked to project payback periods or contract execution periods and exceed the terms of commercial loans to legal entities. The principal and interest may be repaid from cash flows generated by the project at the stage of its commercial operation.

Mortgage loans to individuals include loans for acquisition, construction and reconstruction of real estate. These loans are mostly long-term and are collateralized by real estate.

Consumer and other individual loans comprise loans to individuals other than housing acquisition, construction and repair of real estate as well as car loans and credit cards and overdrafts. These loans include loans for current needs.

Credit cards and overdrafts to individuals represent revolving credit lines. These loans are considered a comfortable instrument for customers as a reserve source of funds in case of need available everywhere and anytime. Interest rates for such loans are higher than for consumer loans as they carry higher risks for the Group.

Car loans to individuals include loans for purchasing a car or other vehicle.

The table below shows the credit quality analysis of the Group's loans and advances to customers at amortized cost as at 31 March 2018. Explanation of the terms 12-month ECL, lifetime ECL and purchased or originated credit-impaired is disclosed in Note 18.

					31 March 2018 (unaudited)
in billions of Russian Roubles	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Purchased/ originated credit-impaired**	**Total**
Commercial loans to legal entities					
Minimum credit risk	1,518.8	2.3	—	—	1,521.1
Low credit risk	7,208.4	510.3	—	—	7,718.7
Moderate credit risk	952.3	391.0	—	—	1,343.3
High credit risk	61.5	186.5	—	—	248.0
Default	—	—	1,097.4	24.0	1,121.4
Gross carrying amount of commercial loans to legal entities	**9,741.0**	**1,090.1**	**1,097.4**	**24.0**	**11,952.5**
Credit loss allowance	(171.4)	(117.1)	(729.6)	(9.7)	(1,027.8)
Total commercial loans to legal entities	**9,569.6**	**973.0**	**367.8**	**14.3**	**10,924.7**

5 Loans and Advances to Customers (continued)

					31 March 2018 (unaudited)
in billions of Russian Roubles	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Purchased/ originated credit-impaired**	**Total**
Project finance loans to legal entities					
Minimum credit risk	41.1	—	—	—	41.1
Low credit risk	778.2	20.6	—	—	798.8
Moderate credit risk	253.2	60.7	—	0.5	314.4
High credit risk	17.8	30.0	—	—	47.8
Default	—	—	288.7	3.5	292.2
Gross carrying amount of project finance loans to legal entities	**1,090.3**	**111.3**	**288.7**	**4.0**	**1,494.3**
Credit loss allowance	(18.1)	(20.2)	(162.2)	(0.1)	(200.6)
Total project finance loans to legal entities	**1,072.2**	**91.1**	**126.5**	**3.9**	**1,293.7**

					31 March 2018 (unaudited)
in billions of Russian Roubles	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Purchased/ originated credit-impaired**	**Total**
Mortgage loans to individuals					
Minimum credit risk	1,381.7	—	—	—	1,381.7
Low credit risk	1,657.3	85.4	—	—	1,742.7
Moderate credit risk	28.1	72.3	—	—	100.4
High credit risk	—	24.3	—	—	24.3
Default	—	—	93.0	2.8	95.8
Gross carrying amount of mortgage loans to individuals	**3,067.1**	**182.0**	**93.0**	**2.8**	**3,344.9**
Credit loss allowance	(28.3)	(8.6)	(40.4)	(1.1)	(78.4)
Total mortgage loans to individuals	**3,038.8**	**173.4**	**52.6**	**1.7**	**3,266.5**

5 Loans and Advances to Customers (continued)

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
					31 March 2018 (unaudited)
Consumer and other loans to individuals					
Minimum credit risk	97.9	0.2	—	—	98.1
Low credit risk	1,313.4	22.8	—	—	1,336.2
Moderate credit risk	183.4	26.5	—	—	209.9
High credit risk	0.3	23.8	—	—	24.1
Default	—	—	143.9	—	143.9
Gross carrying amount of consumer and other loans to individuals	**1,595.0**	**73.3**	**143.9**	**—**	**1,812.2**
Credit loss allowance	(28.7)	(4.9)	(99.5)	—	(133.1)
Total consumer and other loans to individuals	**1,566.3**	**68.4**	**44.4**	**—**	**1,679.1**

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
					31 March 2018 (unaudited)
Credit cards and overdrafts to individuals					
Minimum credit risk	17.9	0.4	—	—	18.3
Low credit risk	196.0	303.6	—	—	499.6
Moderate credit risk	17.6	47.6	—	—	65.2
High credit risk	0.5	22.8	—	—	23.3
Default	—	—	64.8	—	64.8
Gross carrying amount of credit cards and overdrafts to individuals	**232.0**	**374.4**	**64.8**	**—**	**671.2**
Credit loss allowance	(3.3)	(10.5)	(56.1)	—	(69.9)
Total credit cards and overdrafts to individuals	**228.7**	**363.9**	**8.7**	**—**	**601.3**

5 Loans and Advances to Customers (continued)

					31 March 2018 (unaudited)
in billions of Russian Roubles	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Purchased/ originated credit-impaired**	**Total**
Car loans to individuals					
Minimum credit risk	7.9	—	—	—	7.9
Low credit risk	100.9	0.2	—	—	101.1
Moderate credit risk	1.3	0.1	—	—	1.4
High credit risk	—	0.5	—	—	0.5
Default	—	—	11.2	—	11.2
Gross carrying amount of car loans to individuals	**110.1**	**0.8**	**11.2**	**—**	**122.1**
Credit loss allowance	(0.6)	(0.2)	(9.6)	—	(10.4)
Total car loans to individuals	**109.5**	**0.6**	**1.6**	**—**	**111.7**

Credit quality in the table above is based on the following scale developed internally by the Group:

"Minimum credit risk" – assets with counterparties that demonstrate stable ability to fulfill financial obligations in time, with insignificant probability of default.

"Low credit risk" – assets with counterparties with low probability of default with high ability to fulfill financials obligations in time.

"Moderate credit risk" – assets with counterparties with average probability of default and with moderate ability to fulfill financials obligations in time; more detailed consideration is required during monitoring.

"High credit risk" – assets with high probability of default; specific attention is required during monitoring.

"Default" – assets that are qualified as defaulted considering all available signs of impairment.

5 Loans and Advances to Customers (continued)

The following table shows reconciliations from the opening to the closing balance of the credit loss allowance of loans and advances to customers at amortized cost. Amounts for 2017 are based on IAS 39 measurement.

					Three months ended	
					31 March 2018	31 March 2017
(unaudited) *in billions of Russian Roubles*	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased or originated credit-impaired	Total	Total
Total loans to customers						
Balance at 1 January	272.8	129.4	1,101.8	12.8	1,516.8	1,303.4
Transfer to 12-month ECL	10.8	(3.3)	(7.5)	—	—	—
Transfer to lifetime ECL not credit-impaired	(14.7)	31.5	(16.8)	—	—	—
Transfer to lifetime ECL credit-impaired	(2.2)	(21.0)	23.2	—	—	—
Net remeasurement of credit loss allowance	(9.6)	26.5	36.1	(2.1)	50.9	67.4
Remeasurement of the credit loss allowance to reflect all contractually receivable interest	—	—	6.7	—	6.7	—
Write-offs	—	—	(48.6)	(0.1)	(48.7)	(25.6)
Recoveries of amounts previously written off	—	—	2.0	—	2.0	1.5
Other movements	(7.6)	—	—	—	(7.6)	—
Exchange differences on translating foreign operations	0.9	(1.6)	0.5	0.3	0.1	(14.0)
Balance at 31 March 2018	**250.4**	**161.5**	**1,097.4**	**10.9**	**1,520.2**	**1,332.7**

					Three months ended	
					31 March 2018	31 March 2017
(unaudited) *in billions of Russian Roubles*	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased or originated credit-impaired	Total	Total
Commercial loans to legal entities						
Balance at 1 January	189.1	88.0	714.8	11.5	1,003.4	934.5
Transfer to 12-month ECL	8.2	(0.9)	(7.3)	—	—	—
Transfer to lifetime ECL not credit-impaired	(11.6)	28.4	(16.8)	—	—	—
Transfer to lifetime ECL credit-impaired	(2.0)	(13.1)	15.1	—	—	—
Net remeasurement of credit loss allowance	(13.3)	15.9	30.4	(2.0)	31.0	21.5
Remeasurement of the credit loss allowance to reflect all contractually receivable interest	—	—	3.8	—	3.8	—
Write-offs	—	—	(13.0)	—	(13.0)	(10.5)
Recoveries of amounts previously written off	—	—	1.0	—	1.0	0.1
Exchange differences on translating foreign operations	1.0	(1.2)	1.6	0.2	1.6	(10.8)
Balance at 31 March 2018	**171.4**	**117.1**	**729.6**	**9.7**	**1,027.8**	**934.8**

5 Loans and Advances to Customers (continued)

(unaudited) *in billions of Russian Roubles*	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased or originated credit-impaired	Three months ended 31 March 2018 Total	Three months ended 31 March 2017 Total
Project finance loans to legal entities						
Balance at 1 January	24.1	17.4	183.9	0.2	225.6	124.8
Transfer to 12-month ECL	0.2	(0.2)	—	—	—	—
Transfer to lifetime ECL not credit-impaired	(1.5)	1.5	—	—	—	—
Transfer to lifetime ECL credit-impaired	—	(2.2)	2.2	—	—	—
Net remeasurement of credit loss allowance	2.7	3.6	1.3	(0.1)	7.5	35.0
Remeasurement of the credit loss allowance to reflect all contractually receivable interest	—	—	0.4	—	0.4	—
Write-offs	—	—	(24.6)	—	(24.6)	(3.4)
Other movements	(7.6)	—	—	—	(7.6)	—
Exchange differences on translating foreign operations	0.2	0.1	(1.0)	—	(0.7)	(0.7)
Balance at 31 March 2018	**18.1**	**20.2**	**162.2**	**0.1**	**200.6**	**155.7**

(unaudited) *in billions of Russian Roubles*	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased or originated credit-impaired	Three months ended 31 March 2018 Total	Three months ended 31 March 2017 Total
Mortgage loans to individuals						
Balance at 1 January	27.8	7.9	41.1	1.1	77.9	46.6
Transfer to 12-month ECL	1.1	(1.0)	(0.1)	—	—	—
Transfer to lifetime ECL not credit-impaired	(0.4)	0.4	—	—	—	—
Transfer to lifetime ECL credit-impaired	(0.1)	(1.3)	1.4	—	—	—
Net remeasurement of credit loss allowance	—	2.7	(1.9)	—	0.8	21.9
Remeasurement of the credit loss allowance to reflect all contractually receivable interest	—	—	0.2	—	0.2	—
Write-offs	—	—	(1.1)	(0.1)	(1.2)	—
Recoveries of amounts previously written off	—	—	0.5	—	0.5	0.1
Exchange differences on translating foreign operations	(0.1)	(0.1)	0.3	0.1	0.2	(0.4)
Balance at 31 March 2018	**28.3**	**8.6**	**40.4**	**1.1**	**78.4**	**68.2**

5 Loans and Advances to Customers (continued)

(unaudited) *in billions of Russian Roubles*	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Three months ended 31 March 2018 Total	Three months ended 31 March 2017 Total
Consumer and other loans to individuals					
Balance at 1 January	27.5	5.7	98.1	131.3	130.3
Transfer to 12-month ECL	1.0	(0.9)	(0.1)	—	—
Transfer to lifetime ECL not credit-impaired	(0.9)	0.9	—	—	—
Transfer to lifetime ECL credit-impaired	(0.1)	(2.4)	2.5	—	—
Net remeasurement of credit loss allowance	1.4	1.9	4.4	7.7	(15.6)
Remeasurement of the credit loss allowance to reflect all contractually receivable interest	—	—	1.8	1.8	—
Write-offs	—	—	(7.5)	(7.5)	(8.7)
Recoveries of amounts previously written off	—	—	0.5	0.5	1.0
Exchange differences on translating foreign operations	(0.2)	(0.3)	(0.2)	(0.7)	(1.2)
Balance at 31 March 2018	**28.7**	**4.9**	**99.5**	**133.1**	**105.8**

(unaudited) *in billions of Russian Roubles*	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Three months ended 31 March 2018 Total	Three months ended 31 March 2017 Total
Credit cards and overdrafts to individuals					
Balance at 1 January	3.7	10.2	54.0	67.9	56.5
Transfer to 12-month ECL	0.2	(0.2)	—	—	—
Transfer to lifetime ECL not credit-impaired	(0.2)	0.2	—	—	—
Transfer to lifetime ECL credit-impaired	—	(1.8)	1.8	—	—
Net remeasurement of credit loss allowance	(0.3)	2.1	2.1	3.9	5.0
Remeasurement of the credit loss allowance to reflect all contractually receivable interest	—	—	0.5	0.5	—
Write-offs	—	—	(2.1)	(2.1)	(3.0)
Recoveries of amounts previously written off	—	—	—	—	0.3
Exchange differences on translating foreign operations	(0.1)	—	(0.2)	(0.3)	(0.8)
Balance at 31 March 2018	**3.3**	**10.5**	**56.1**	**69.9**	**58.0**

5 Loans and Advances to Customers (continued)

(unaudited) *in billions of Russian Roubles*	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Three months ended 31 March 2018 Total	Three months ended 31 March 2017 Total
Car loans to individuals					
Balance at 1 January	0.6	0.2	9.9	10.7	10.7
Transfer to 12-month ECL	0.1	(0.1)	—	—	—
Transfer to lifetime ECL not credit-impaired	(0.1)	0.1	—	—	—
Transfer to lifetime ECL credit-impaired	—	(0.2)	0.2	—	—
Net remeasurement of credit loss allowance	(0.1)	0.3	(0.2)	—	(0.4)
Write-offs	—	—	(0.3)	(0.3)	—
Exchange differences on translating foreign operations	0.1	(0.1)	—	—	(0.1)
Balance at 31 March 2018	**0.6**	**0.2**	**9.6**	**10.4**	**10.2**

Loans and advances to customers at fair value through profit or loss

The following table sets out the credit quality analysis of the Group's loans and advances to customers measured at fair value through profit or loss as at 31 March 2018 using the credit quality scale same as for loans and advances to customers at amortized cost:

(unaudited) *in billions of Russian Roubles*	Minimum credit risk	Low credit risk	Moderate credit risk	High credit risk	Default	Total
Commercial loans to legal entities	7.0	137.3	139.9	—	0.5	284.7
Project finance loans to legal entities	—	134.9	266.9	2.9	9.4	414.1
Consumer and other loans to individuals	—	—	3.5	—	—	3.5
Total loans and advances to customers at fair value through profit or loss	**7.0**	**272.2**	**410.3**	**2.9**	**9.9**	**702.3**

Current and past-due loans analysis. For the purposes of these interim condensed consolidated financial statements a loan is considered past due when the borrower fails to make any payment due under the loan agreement at the reporting date. In this case the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions is recognized as past due.

5 Loans and Advances to Customers (continued)

The table below shows the analysis of loans at amortized cost and credit loss allowance as at 31 March 2018:

(unaudited) *in billions of Russian Roubles*	Gross carrying amount of loans	Credit loss allowance	Total amortized cost of loans	Credit loss allowance to gross carrying amount of loans
Commercial loans to legal entities				
Loans not past due	11,394.8	(649.8)	10,745.0	5.7%
Loans 1 to 90 days overdue	138.2	(37.5)	100.7	27.1%
Loans over 90 days overdue	419.5	(340.5)	79.0	81.2%
Total commercial loans to legal entities	**11,952.5**	**(1,027.8)**	**10,924.7**	**8.6%**
Project finance loans to legal entities				
Loans not past due	1,296.2	(65.2)	1,231.0	5.0%
Loans 1 to 90 days overdue	26.5	(8.7)	17.8	32.8%
Loans over 90 days overdue	171.6	(126.7)	44.9	73.8%
Total project finance loans to legal entities	**1,494.3**	**(200.6)**	**1,293.7**	**13.4%**
Total loans to legal entities	**13,446.8**	**(1,228.4)**	**12,218.4**	**9.1%**
Mortgage loans to individuals				
Loans not past due	3,224.6	(29.6)	3,195.0	0.9%
Loans 1 to 90 days overdue	63.3	(10.3)	53.0	16.3%
Loans over 90 days overdue	57.0	(38.5)	18.5	67.5%
Total mortgage loans to individuals	**3,344.9**	**(78.4)**	**3,266.5**	**2.3%**
Consumer and other loans to individuals				
Loans not past due	1,636.5	(27.6)	1,608.9	1.7%
Loans 1 to 90 days overdue	53.6	(9.5)	44.1	17.7%
Loans over 90 days overdue	122.1	(96.0)	26.1	78.6%
Total consumer and other loans to individuals	**1,812.2**	**(133.1)**	**1,679.1**	**7.3%**
Credit cards and overdrafts to individuals				
Loans not past due	578.9	(8.5)	570.4	1.5%
Loans 1 to 90 days overdue	29.3	(5.7)	23.6	19.5%
Loans over 90 days overdue	63.0	(55.7)	7.3	88.4%
Total credit cards and overdrafts to individuals	**671.2**	**(69.9)**	**601.3**	**10.4%**
Car loans to individuals				
Loans not past due	108.9	(0.5)	108.4	0.5%
Loans 1 to 90 days overdue	2.3	(0.4)	1.9	17.4%
Loans over 90 days overdue	10.9	(9.5)	1.4	87.2%
Total car loans to individuals	**122.1**	**(10.4)**	**111.7**	**8.5%**
Total loans to individuals	**5,950.4**	**(291.8)**	**5,658.6**	**4.9%**
Total loans at amortized cost	**19,397.2**	**(1,520.2)**	**17,877.0**	**7.8%**

5 Loans and Advances to Customers (continued)

The table below shows the analysis of loans at fair value as at 31 March 2018:

(unaudited) *in billions of Russian Roubles*	Loans and advances at fair value through profit and loss
Commercial loans to legal entities	
Loans not past due	284.7
Total commercial loans to legal entities	**284.7**
Project finance loans to legal entities	
Loans not past due	404.8
Loans over 90 days overdue	9.3
Total project finance loans to legal entities	**414.1**
Total loans to legal entities	**698.8**
Consumer loans to individuals	
Loans not past due	3.5
Total consumer loans to individuals	**3.5**
Total loans to individuals	**3.5**
Total loans at fair value	**702.3**

5 Loans and Advances to Customers (continued)

The table below shows the analysis of loans at amortized cost and provisions for loan impairment as at 31 December 2017:

in billions of Russian Roubles	Gross carrying amount of loans	Credit loss allowance	Total amortized cost of loans	Credit loss allowance to gross carrying amount of loans
Commercial loans to legal entities				
Loans not past due	11,800.1	(564.8)	11,235.3	4.8%
Loans 1 to 90 days overdue	112.0	(35.0)	77.0	31.3%
Loans over 90 days overdue	483.3	(409.2)	74.1	84.7%
Total commercial loans legal entities	**12,395.4**	**(1,009.0)**	**11,386.4**	**8.1%**
Project finance loans to legal entities				
Loans not past due	1,646.7	(95.0)	1,551.7	5.8%
Loans 1 to 90 days overdue	15.2	(4.8)	10.4	31.6%
Loans over 90 days overdue	117.3	(60.6)	56.7	51.7%
Total project finance loans to legal entities	**1,779.2**	**(160.4)**	**1,618.8**	**9.0%**
Total loans to legal entities	**14,174.6**	**(1,169.4)**	**13,005.2**	**8.2%**
Mortgage loans to individuals				
Loans not past due	3,087.0	(15.9)	3,071.1	0.5%
Loans 1 to 90 days overdue	45.5	(6.4)	39.1	14.1%
Loans over 90 days overdue	58.1	(37.4)	20.7	64.4%
Total mortgage loans to individuals	**3,190.6**	**(59.7)**	**3,130.9**	**1.9%**
Consumer and other loans to individuals				
Loans not past due	1,572.0	(20.6)	1,551.4	1.3%
Loans 1 to 90 days overdue	41.2	(6.9)	34.3	16.7%
Loans over 90 days overdue	112.7	(81.4)	31.3	72.2%
Total consumer and other loans to individuals	**1,725.9**	**(108.9)**	**1,617.0**	**6.3%**
Credit cards and overdrafts to individuals				
Loans not past due	592.1	(5.7)	586.4	1.0%
Loans 1 to 90 days overdue	31.6	(4.6)	27.0	14.6%
Loans over 90 days overdue	55.2	(46.8)	8.4	84.8%
Total credit cards and overdrafts to individuals	**678.9**	**(57.1)**	**621.8**	**8.4%**
Car loans to individuals				
Loans not past due	109.2	(0.1)	109.1	0.1%
Loans 1 to 90 days overdue	2.2	(0.3)	1.9	13.6%
Loans over 90 days overdue	9.8	(7.6)	2.2	77.6%
Total car loans to individuals	**121.2**	**(8.0)**	**113.2**	**6.6%**
Total loans to individuals	**5,716.6**	**(233.7)**	**5,482.9**	**4.1%**
Total loans at amortized cost	**19,891.2**	**(1,403.1)**	**18,488.1**	**7.1%**

5 Loans and Advances to Customers (continued)

Restructured loans. Renegotiated loan portfolio of the Group consists of “modified” and “restructured” loans. A loan is considered renegotiated if terms of the original loan contract have been changed.

Modified loans represent loans with changes to the initial loan terms caused by changes in market conditions, changes in a product, client requests or reclassified out of the restructured loan portfolio provided reclassifications terms are met, i.e. where loan renegotiation is not considered as distressed.

Restructured loans represent loans which were distressed at the moment of the renegotiation. A loan is initially classified as a restructured loan if:

- The renegotiation is in favor of a borrower due to its inability to fulfill obligations and the borrower is assigned high / medium credit risk. Renegotiation is considered to be in favor of the borrower if, for example, frequency of loan repayments is reduced, interest rate is reduced, loan tenor or limit are extended, amount of total loan payments is reduced, loan payments are rescheduled for later dates, etc., or
- Refinancing of a loan is due to inability of the borrower to fulfill its obligations and the borrower is assigned high / medium credit risk.

Features of a high / medium credit risk borrower which are examined by the Group may include but are not limited to the following: the borrower’s obligations are overdue for a period of more than 30 calendar days, non-compliance with a loan collateralization requirements by 30%, initiation of bankruptcy proceeding in respect of the borrower, change / replacement of the key management and/or owners, etc.

Information on restructured corporate loans and renegotiated loans to individuals at amortized cost as at 31 March 2018 is presented in the table below.

(unaudited) in billions of Russian Roubles	**Commercial loans to legal entities**	**Project finance loans to legal entities**	**Mortgage loans to individuals**	**Consumer and other loans to individuals**	**Credit cards and overdrafts to individuals**	**Car loans to individuals**	**Total**
Loans not past due	494.1	59.3	184.6	55.0	—	1.0	794.0
Loans 1 to 90 days overdue	34.5	14.9	14.6	5.7	—	0.5	70.2
Loans over 90 days overdue	191.5	53.6	22.3	38.0	0.6	2.6	308.6
Total restructured loans before credit loss allowance	**720.1**	**127.8**	**221.5**	**98.7**	**0.6**	**4.1**	**1,172.8**
Less credit loss allowance	(481.8)	(75.9)	(20.6)	(31.5)	(0.6)	(2.4)	(612.8)
Total restructured loans at amortized cost as at 31 March 2018	**238.3**	**51.9**	**200.9**	**67.2**	**—**	**1.7**	**560.0**

5 Loans and Advances to Customers (continued)

Information on restructured corporate loans and renegotiated loans to individuals at fair value as at 31 March 2018 is presented in the table below.

(unaudited) *in billions of Russian Roubles*	Commercial loans to legal entities	Total
Restructured loans at fair value through profit and loss		
Loans not past due	100.8	100.8
Total restructured loans at fair value through profit and loss as at 31 March 2018	**100.8**	**100.8**

Information on restructured corporate loans and renegotiated loans to individuals at amortized cost as at 31 December 2017 is presented in the table below.

in billions of Russian Roubles	Commercial loans to legal entities	Project finance loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Credit cards and overdrafts to individuals	Car loans to individuals	Total
Loans not past due	533.4	48.8	163.7	48.4	—	1.5	795.8
Loans 1 to 90 days overdue	33.8	4.6	12.3	4.6	—	0.8	56.1
Loans over 90 days overdue	231.1	39.6	21.0	35.4	0.2	2.8	330.1
Total restructured loans before provision for loan impairment	**798.3**	**93.0**	**197.0**	**88.4**	**0.2**	**5.1**	**1,182.0**
Provision for loan impairment	(471.8)	(60.9)	(17.6)	(27.5)	(0.2)	(2.3)	(580.3)
Total restructured loans at amortized cost as at 31 December 2017	**326.5**	**32.1**	**179.4**	**60.9**	**—**	**2.8**	**601.7**

5 Loans and Advances to Customers (continued)

A loan may be reclassified out of the restructured loans category (and classified as modified) when all of the following criteria are met:

- the borrower has repaid not less than 5% of the loan principal balance (except for the borrowers in the investment stage of construction projects where execution of any six contractual payments is monitored);
- the borrower performed all of its contractual obligations for at least six months after the renegotiation; and
- no other signs of impairment are identified during the period of at least six months after the renegotiation.

Economic sector risk concentration. Economic sector risk concentrations within loans and advances to customers of the Group are as follows:

	31 March 2018 (unaudited)		31 December 2017	
in billions of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Loans and advances to customers				
Individuals	5,953.9	29.6%	5,716.6	28.7%
Oil and gas	1,637.9	8.1%	1,754.4	8.8%
Trade	1,529.6	7.6%	1,530.8	7.7%
Real estate	1,454.9	7.2%	1,457.3	7.3%
Metallurgy	1,246.8	6.2%	1,324.7	6.7%
Food and agriculture	1,141.0	5.7%	1,097.0	5.5%
Machinery	881.8	4.4%	865.2	4.3%
Construction	850.0	4.2%	828.3	4.2%
Energy	845.4	4.2%	878.4	4.4%
Transport and logistics	837.9	4.2%	636.9	3.2%
Telecommunications	834.6	4.2%	822.4	4.1%
Services	832.9	4.1%	827.9	4.2%
Government and municipal bodies	640.7	3.2%	724.6	3.6%
Chemical industry	573.1	2.9%	592.0	3.0%
Timber industry	90.7	0.5%	92.7	0.5%
Other	748.3	3.7%	742.0	3.7%
Total loans and advances to customers before credit loss allowance	**20,099.5**	**100.0%**	**19,891.2**	**100.0%**

As at 31 March 2018 the Group had 20 largest groups of related corporate borrowers with aggregated loan amounts due from each of these groups exceeding RR 109.9 billion (31 December 2017: 20 largest groups of related corporate borrowers with aggregated loan amounts due from each of these groups exceeding RR 98.2 billion). The total aggregate amount of these loans was RR 4,711.2 billion or 23.4% of the total gross loan portfolio of the Group (31 December 2017: RR 4,660.4 billion or 23.4%).

6 Securities

in billions of Russian Roubles	31 March 2018 (unaudited)	31 December 2017
Securities measured at fair value through other comprehensive income - debt instruments	1,838.8	—
Securities designated at fair value through other comprehensive income - equity instruments	0.7	—
Securities measured at amortized cost	907.2	—
Securities mandatorily measured at fair value through profit or loss	497.4	84.2
Investment securities available-for-sale	—	1,743.7
Investment securities held-to-maturity	—	773.6
Securities designated at fair value through profit or loss	—	429.0
Total securities	**3,244.1**	**3,030.5**

Securities measured at fair value through other comprehensive income - debt instruments

The composition of debt securities at fair value through other comprehensive income as at 31 March 2018 is presented below:

in billions of Russian Roubles	31 March 2018 (unaudited)
Russian federal loan bonds (OFZ bonds)	954.6
Corporate bonds	372.4
Russian Federation Eurobonds	178.9
Foreign government and municipal bonds	176.8
Bonds of the Bank of Russia	99.4
Mortgage-backed securities	42.8
Russian municipal and subfederal bonds	12.5
Promissory notes	1.4
Total securities measured at fair value through other comprehensive income - debt instruments	**1,838.8**

Securities measured at amortized cost

The composition of securities measured at amortized cost as at 31 March 2018 is presented below:

in billions of Russian Roubles	31 March 2018 (unaudited)
Corporate bonds	622.5
Russian municipal and subfederal bonds	114.9
Foreign government and municipal bonds	89.3
Russian federal loan bonds (OFZ bonds)	52.1
Russian Federation Eurobonds	34.5
Total securities at amortized cost before credit loss allowance	**913.3**
Credit loss allowance	(6.1)
Total securities at amortized cost	**907.2**

6 Securities (continued)

Securities mandatorily measured at fair value through profit or loss

The composition of investment securities mandatorily measured at fair value through profit or loss as at 31 March 2018 and 31 December 2017 is presented below:

in billions of Russian Roubles	**31 March 2018 (unaudited)**	**31 December 2017**
Russian federal loan bonds (OFZ bonds)	225.2	14.5
Corporate bonds	166.1	35.0
Foreign government and municipal bonds	8.3	1.3
Russian Federation Eurobonds	1.8	9.7
Russian municipal and subfederal bonds	0.7	0.1
Total debt securities mandatorily measured at fair value through profit or loss	**402.1**	**60.6**
Corporate shares	88.6	23.5
Investments in mutual funds	6.7	0.1
Total securities mandatorily measured at fair value through profit or loss	**497.4**	**84.2**

Investment securities available-for-sale

The composition of investment securities available-for-sale as at 31 December 2017 is presented below:

in billions of Russian Roubles	**31 December 2017**
Russian federal loan bonds (OFZ bonds)	897.9
Corporate bonds	393.1
Russian Federation Eurobonds	192.1
Foreign government and municipal bonds	161.0
Mortgage-backed securities	45.6
Russian municipal and subfederal bonds	12.0
Bonds of the Bank of Russia	10.2
Promissory notes	1.4
Total debt investment securities available-for-sale	**1,713.3**
Corporate shares	30.4
Total investment securities available-for-sale	**1,743.7**

Investment securities held-to-maturity

The composition of investment securities held-to-maturity as at 31 December 2017 is presented below:

in billions of Russian Roubles	**31 December 2017**
Corporate bonds	481.5
Russian municipal and subfederal bonds	108.6
Russian federal loan bonds (OFZ bonds)	88.2
Foreign government and municipal bonds	63.9
Russian Federation Eurobonds	32.6
Total investment securities held-to-maturity before provision for impairment	**774.8**
Less provision for impairment	(1.2)
Total investment securities held-to-maturity	**773.6**

6 Securities (continued)

Securities designated at fair value through profit or loss

The composition of securities designated at fair value through profit or loss as at 31 December 2017 is presented below:

in billions of Russian Roubles	31 December 2017
Corporate bonds	220.6
Russian federal loan bonds (OFZ bonds)	164.0
Foreign government and municipal bonds	2.5
Russian municipal and subfederal bonds	1.4
Russian Federation Eurobonds	0.5
Total debt securities designated at fair value through profit or loss	**389.0**
Corporate shares	28.8
Investments in mutual funds	11.2
Total securities designated at fair value through profit or loss	**429.0**

Changes in credit loss allowance

The following table shows reconciliation from the opening to the closing balance of the credit loss allowance on investment securities measured at amortised cost (2017: investment securities held-to-maturity). Explanation of the terms 12-month ECL, lifetime ECL and purchased or originated credit-impaired is included in Note 18. Amounts for 2017 are based on IAS 39 measurement.

	Three months ended 31 March 2018				Three months ended 31 March 2017
(unaudited) *in billions of Russian Roubles*	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Total
Balance as at 1 January	**5.0**	**1.0**	**0.9**	**6.9**	**0.9**
Net remeasurement of credit loss allowance	(0.4)	(0.4)	—	(0.8)	—
Balance as at 31 March	**4.6**	**0.6**	**0.9**	**6.1**	**0.9**

7 Financial Instruments Pledged under Repurchase Agreements

in billions of Russian Roubles	31 March 2018 (unaudited)	31 December 2017
Securities measured at fair value through other comprehensive income - debt instruments	208.6	—
Securities measured at amortized cost	19.7	—
Securities mandatorily measured at fair value through profit or loss	0.6	0.4
Investment securities available-for-sale pledged under repurchase agreements	—	224.7
Investment securities held-to-maturity pledged under repurchase agreements	—	33.8
Total financial instruments pledged under repurchase agreements	**228.9**	**258.9**

Securities measured at fair value through other comprehensive income pledged under repurchase agreements - debt instruments

The composition of debt investment securities measured at fair value through other comprehensive income pledged under repurchase agreements as at 31 March 2018 is presented below:

in billions of Russian Roubles	31 March 2018 (unaudited)
Russian federal loan bonds (OFZ bonds)	175.4
Foreign government and municipal bonds	29.5
Corporate bonds	3.7
Total securities measured at fair value through other comprehensive income pledged under repurchase agreements - debt instruments	**208.6**

Investment securities available-for-sale pledged under repurchase agreements

The composition of investment securities available-for-sale pledged under repurchase agreements as at 31 December 2017 is presented below:

in billions of Russian Roubles	31 December 2017
Russian federal loan bonds (OFZ bonds)	176.8
Foreign government and municipal bonds	44.2
Corporate bonds	3.6
Russian Federation Eurobonds	0.1
Total investment securities available-for-sale pledged under repurchase agreements	**224.7**

8 Other Assets

in billions of Russian Roubles	31 March 2018 (unaudited)	31 December 2017
Other financial assets		
Receivables on bank cards settlements	101.0	102.0
Settlements on foreign exchange operations	97.6	29.2
Margin calls transferred	44.5	49.1
Investments in associates	9.2	8.8
Trade receivables	20.1	20.7
Accrued fees and commissions	16.4	18.0
Settlements on operations with securities	12.6	5.7
Funds in settlement	11.6	5.4
Restricted cash balances	2.5	2.8
Receivables from Deposit Insurance Agency	0.5	7.2
Other	8.2	10.1
Total other financial assets before credit loss allowance	**324.2**	**259.0**
Less credit loss allowance	(7.1)	(5.9)
Total other financial assets after credit loss allowance	**317.1**	**253.1**
Other non-financial assets		
Inventory	108.5	99.1
Intangible assets	78.7	76.0
Prepayments for premises and other assets	58.2	42.8
Precious metals	42.1	41.1
Tax settlements (other than on income tax)	11.8	7.3
Prepaid expenses	10.8	10.3
Investment property	7.6	7.7
Goodwill	6.6	10.0
Prepayment on income tax	2.2	2.2
Other	45.9	40.2
Total other non-financial assets before provision for impairment	**372.4**	**336.7**
Less provision for impairment of other non-financial assets	(13.1)	(12.5)
Total other non-financial assets after provision for impairment	**359.3**	**324.2**
Total other assets	**676.4**	**577.3**

9 Due to Individuals and Corporate Customers

in billions of Russian Roubles	**31 March 2018 (unaudited)**	**31 December 2017**
Individuals:		
- Current/demand accounts	2,924.0	3,052.2
- Term deposits	10,391.3	10,366.1
- Direct repo agreements	1.2	2.0
Total due to individuals	**13,316.5**	**13,420.3**
State and public organizations:		
- Current/settlement accounts	176.7	181.5
- Term deposits	298.8	180.9
Total due to state and public organizations	**475.5**	**362.4**
Other corporate customers:		
- Current/settlement accounts	2,164.8	2,023.3
- Term deposits	3,763.5	3,955.0
- Direct repo agreements	41.5	53.2
Total due to other corporate customers	**5,969.8**	**6,031.5**
Total due to corporate customers	**6,445.3**	**6,393.9**
Total due to individuals and corporate customers	**19,761.8**	**19,814.2**

As at 31 March 2018 included in due to corporate customers are deposits of RR 125.9 billion (31 December 2017: RR 121.6 billion) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 19.

10 Other Liabilities

in billions of Russian Roubles	31 March 2018 (unaudited)	31 December 2017
Provisions on insurance and pension fund operations		
Provisions on pension fund operations	581.0	492.2
Provisions on insurance operations	210.5	189.4
Provision on unearned premium	7.4	6.5
Total provisions on insurance and pension fund operations	**798.9**	**688.1**
Other financial liabilities		
Accrued employee benefit costs	74.8	43.6
Payables on bank card settlements	48.0	66.0
Payables	45.9	43.3
Funds in settlement	42.2	57.8
Margin calls received	34.6	26.1
Deposit insurance system fees payable	18.2	14.4
Settlements on operations with securities	16.1	4.0
Settlements on foreign exchange operations	1.2	—
Other	24.2	34.7
Total other financial liabilities	**305.2**	**289.9**
Other non-financial liabilities		
Taxes payable other than on income	34.0	25.1
Credit loss allowance for credit related commitments and provision for other contingencies and commitments	32.2	27.9
Advances received	25.3	25.8
Income tax payable	4.6	10.0
Deferred commissions received on guarantees issued	2.8	3.0
Other	8.2	8.6
Total other non-financial liabilities	**107.1**	**100.4**
Total other liabilities	**1,211.2**	**1,078.4**

11 Interest Income and Expense

(unaudited) *in billions of Russian Roubles*	Three months ended 31 March 2018	2017
Interest income calculated using the effective interest method		
Interest income on debt financial assets measured at amortized cost:		
- Loans and advances to customers measured at amortized cost	476.8	490.1
- Due from banks measured at amortized cost	12.2	25.5
- Debt securities measured at amortized cost (2017: Debt investment securities held-to-maturity)	17.5	10.9
- Cash and cash equivalents measured at amortized cost	1.7	2.1
	508.2	**528.6**
Interest income on debt financial assets measured at fair value through other comprehensive income:		
- Debt securities measured at fair value through other comprehensive income (2017: Debt investment securities available-for-sale)	34.9	29.5
	34.9	**29.5**
Total interest income calculated using the effective interest method	**543.1**	**558.1**
Other interest income:		
- Securities at fair value through profit or loss (2017: Debt trading securities and debt securities designated as at fair value through profit or loss)	7.1	7.5
- Loans and advances to customers at fair value through profit or loss	12.5	—
- Due from banks at fair value through profit or loss	12.4	—
Total other interest income	**32.0**	**7.5**
Interest expense on financial liabilities calculated using the effective interest method		
Interest expense on financial liabilities measured at amortized cost:		
- Due to individuals - term deposits - measured at amortized cost	(112.5)	(125.2)
- Due to corporate customers - term deposits - measured at amortized cost	(34.0)	(35.6)
- Debt securities in issue measured at amortized cost	(15.6)	(17.1)
- Subordinated debt measured at amortized cost	(10.6)	(10.8)
- Due to corporate customers - current/settlement accounts - measured at amortized cost	(8.4)	(12.9)
- Due to banks measured at amortized cost	(4.3)	(5.3)
- Due to individuals - current/demand accounts - measured at amortized cost	(5.7)	(4.8)
- Other borrowed funds measured at amortized cost	(2.4)	(2.6)
Total interest expense calculated using the effective interest method	**(193.5)**	**(214.3)**
Other interest expense:		
- Obligation to deliver securities	(0.4)	(0.5)
- Due to banks measured at fair value	(4.0)	—
Total other interest expense	**(4.4)**	**(0.5)**
Deposit insurance expenses	**(18.6)**	**(14.2)**
Net interest income	**358.6**	**336.6**

12 Fee and Commission Income and Expense

(unaudited) *in billions of Russian Roubles*	Three months ended 31 March 2018	 2017
Fee and commission income		
Operations with banking cards:		
- Acquiring, commissions of payment systems and other similar commissions	51.9	36.9
- Service fees	13.0	10.8
- Other	0.8	—
Cash and settlements transactions	44.9	39.8
Client operations with foreign currencies and precious metals	10.1	6.7
Documentary commissions	6.7	6.3
Agent commissions	2.0	2.2
Securities and commodities brokerage, custodian and investment banking (including syndications) commissions	2.1	1.4
Other	2.5	2.3
Total fee and commission income	**134.0**	**106.4**
Fee and commission expense		
Operations with banking cards:		
- Commissions to payment systems and other similar commissions	(20.7)	(15.4)
- Loyalty programs	(6.8)	(4.9)
- Other	(1.8)	(0.1)
Settlement transactions	(1.6)	(1.5)
Securities and commodities brokerage, custodian and investment banking (including syndications) commissions	—	(0.2)
Client operations with foreign currencies	(0.1)	(0.1)
Other	(1.5)	(0.6)
Total fee and commission expense	**(32.5)**	**(22.8)**
Net fee and commission income	**101.5**	**83.6**

13 Net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation

(unaudited) *in billions of Russian Roubles*	Three months ended 31 March 2018	 2017
Net gains / (losses) from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation:		
- Net foreign exchange translation losses	(2.5)	(37.6)
- Net gains from operations with foreign currency and foreign currency interest rate derivatives	2.2	22.8
- Net gains from trading in foreign currencies	3.8	4.2
Net gains / (losses) from operations with precious metals, precious metals derivatives and precious metals accounts translation	0.6	(1.2)
Net (losses) / gains from operations with other derivatives	(3.8)	0.7
Total net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	**0.3**	**(11.1)**

14 Staff and Administrative Expenses

(unaudited) *in billions of Russian Roubles*	Three months ended 31 March 2018	2017
Staff costs	106.0	97.5
Depreciation of premises and equipment	11.1	9.4
Taxes other than on income	7.7	7.2
Operating lease expenses	7.5	7.8
Administrative expenses	7.0	6.3
Amortization of intangible assets	5.7	5.5
Repairs and maintenance of premises and equipment	5.0	5.7
Telecommunication expenses	3.5	3.2
Consulting and assurance services	0.9	1.0
Advertising and marketing services	1.1	0.9
Other	1.9	2.6
Total staff and administrative expenses	**157.4**	**147.1**

For the three months ended 31 March 2018 expenses for defined benefit pension contribution plans amounted to RR 15.0 billion (for the three months ended 31 March 2017: RR 14.7 billion).

15 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to the holders of ordinary shares of the Bank by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Bank has no dilutive potential ordinary shares, therefore the diluted earnings per share equal to the basic earnings per share.

(unaudited) *in billions of Russian Roubles*	Three months ended 31 March 2018	2017
Profit for the period attributable to the shareholders of the Bank	212.0	167.8
Profit attributable to the ordinary shareholders of the Bank	**212.0**	**167.8**
Weighted average number of ordinary shares in issue (billions)	21.5	21.5
Earnings per ordinary share, basic and diluted (expressed in RR per share)	**9.84**	**7.79**

16 Other Reserves

in billions of Russian Roubles	Note	Revaluation reserve for office premises	Fair value reserve for investment securities available-for-sale	Fair value reserve for debt instruments measured at FVOCI	Foreign currency translation reserve	Remeasure-ment of defined benefit pension plans	Total
		Attributable to shareholders of the Bank					
Balance as at 31 December 2016		**66.9**	**24.0**	**—**	**(19.8)**	**(1.1)**	**70.0**
Changes in equity for the three months ended 31 March 2017 (unaudited)							
Transfer of revaluation reserve for office premises upon disposal or depreciation		(0.7)	—	—	—	—	(0.7)
Other comprehensive income for the period		—	(5.4)	—	(22.9)	(0.1)	(28.4)
Balance as at 31 March 2017 (unaudited)		**66.2**	**18.6**	**—**	**(42.7)**	**(1.2)**	**40.9**
Balance as at 31 December 2017		**60.8**	**35.3**	**—**	**(26.4)**	**(1.3)**	**68.4**
Impact of adopting IFRS 9 as at 1 January 2018 (unaudited)	**4**	**—**	**(35.3)**	**28.2**	**—**	**—**	**(7.1)**
Restated balance as at 1 January 2018 (unaudited)		**60.8**	**—**	**28.2**	**(26.4)**	**(1.3)**	**61.3**
Changes in equity for the three months ended 31 March 2018 (unaudited)							
Transfer of revaluation reserve for office premises upon disposal or depreciation		(0.7)	—	—	—	—	(0.7)
Other comprehensive income for the period		(0.8)	—	7.9	(6.2)	0.2	1.1
Balance as at 31 March 2018 (unaudited)		**59.3**	**—**	**36.1**	**(32.6)**	**(1.1)**	**61.7**

17 Segment Analysis

For the purposes of management the Group is divided into operating segments of activity – Central head office, 14 regional head offices and subsidiaries – which are defined on the basis of organizational structure of the Group and geographical areas. The principal activity of all operating segments is banking operations. For the purposes of presentation in these interim condensed consolidated financial statements the operating segments are aggregated in the following reportable segments:

- **Moscow, including:**
  - Central head office of the Group,
  - Regional head office of Moscow,
  - Subsidiaries of the Group located in the region.
- **Central and Northern regions of European part of Russia, including:**
  Regional head offices:
  - Severny – Yaroslavl,
  - Severo-Zapadny – Saint-Petersburg,
  - Tsentralno-Chernozemny – Voronezh,
  - Srednerussky – Moscow;

  Subsidiaries of the Group located in the region.
- **Volga region and South of European part of Russia, including:**
  Regional head offices:
  - Volgo-Vyatsky – Nizhniy Novgorod,
  - Povolzhsky – Samara,
  - Yugo-Zapadny – Rostov-on-Don;

  Subsidiaries of the Group located in the region.
- **Ural, Siberia and Far East of Russia, including:**
  Regional head offices:
  - Zapadno-Uralsky – Perm,
  - Uralsky – Ekaterinburg,
  - Sibirsky – Novosibirsk,
  - Zapadno-Sibirsky – Tumen,
  - Dalnevostochny – Khabarovsk,
  - Baikalsky – Irkutsk;

  Subsidiaries of the Group located in the region.
- **Other countries, including:**
  - Subsidiaries located in Turkey,
  - Subsidiaries located in Ukraine, Kazakhstan, Belarus,
  - Subsidiaries located in Austria and Switzerland,
  - Subsidiaries of Sberbank Europe AG located in Central and Eastern Europe,
  - Companies of ex-Troika Dialog Group Ltd. located in the USA, the United Kingdom, Cyprus and certain other jurisdictions,
  - A branch office in India,
  - Representative offices in Germany and China.

The Management of the Group analyses operating results of every segment of activity for the purposes of making decision about allocation of resources and assessment of segments' business results. The segment reporting and operating results which are provided to the Management of the Group for analysis are prepared mainly under Russian accounting standards, except the segment reporting of the subsidiaries which is prepared under International Financial Reporting Standards.

Intersegment operations are performed on the basis of internal transfer pricing rates which are established, approved and regularly revised by the Management of the Group.

17 Segment Analysis (continued)

The activity of each subsidiary is controlled by the Group integrally.

Segment reporting of the Group's assets and liabilities as at 31 March 2018 is as follows:

(unaudited) *in billions of Russian Roubles*	**Moscow**	**Central and Northern regions of European part of Russia**	**Volga region and South of European part of Russia**	**Ural, Siberia and Far East of Russia**	**Other countries**	**Total**
Total assets	13,364.1	3,349.7	3,122.3	3,323.7	4,054.9	**27,214.7**
Total liabilities	9,035.8	4,574.8	3,510.9	3,422.0	3,249.1	**23,792.6**

Segment reporting of the Group's assets and liabilities as at 31 December 2017 is as follows:

in billions of Russian Roubles	**Moscow**	**Central and Northern regions of European part of Russia**	**Volga region and South of European part of Russia**	**Ural, Siberia and Far East of Russia**	**Other countries**	**Total**
Total assets	12,812.1	3,313.6	3,189.6	3,451.8	4,222.8	**26,989.9**
Total liabilities	8,879.1	4,623.2	3,547.0	3,454.3	3,244.9	**23,748.5**

17 Segment Analysis (continued)

Reconciliation of total assets and total liabilities as per the reportable segments with the Group's total assets and total liabilities under IFRS as at 31 March 2018 and 31 December 2017 is as follows:

	31 March 2018 (unaudited)		31 December 2017	
in billions of Russian Roubles	Total assets	Total liabilities	Total assets	Total liabilities
Total segment assets and liabilities	**27,214.7**	**23,792.6**	**26,989.9**	**23,748.5**
Difference in netting sets	(1.0)	(1.0)	0.7	0.7
Adjustment to staff expenses accrued (bonuses, annual leave, pension liabilities)	(0.3)	—	—	0.1
Adjustment of provision for impairment of debt financial assets	(36.9)	—	75.8	—
Accounting for derivatives at fair value	(0.9)	(1.3)	(1.4)	11.5
Accounting for loans by effective rate method	55.9	—	(8.5)	—
Write-down of low value assets	(10.0)	—	(10.0)	—
Adjustment of other provisions	171.7	—	157.1	—
Adjustment of depreciation and initial cost or revalued amount of premises and equipment	3.6	—	(0.5)	—
Accounting for financial contracts with embedded derivatives	(0.7)	—	(1.0)	—
Accounting for financing by the effective rate method and early redemption of debt securities in issue	(85.0)	(83.5)	(81.1)	(78.5)
Accrual of expenses on customer loyalty programs	(2.4)	0.7	—	0.7
Currency translation of investments in subsidiaries and associates	(3.3)	—	(3.3)	—
Adjustment for credit related commitments provision	—	(50.6)	—	(41.6)
Adjustment for legal claims provision	—	4.5	—	1.1
Commission income adjustment	12.7	2.6	7.3	2.6
Accounting for mortgage loans securitisation	2.7	3.4	3.9	3.9
Adjustment for deferred tax	(21.7)	12.2	(2.7)	23.9
Accounting for loans at fair value	(0.8)	—	—	—
Effect of initial recognition of financial instruments at fair value	(16.0)	(0.4)	(5.0)	(1.6)
Other	(15.3)	4.3	(9.0)	4.9
The Group's total assets/liabilities under IFRS	**27,267.0**	**23,683.5**	**27,112.2**	**23,676.2**

17 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the three months ended 31 March 2018 is as follows:

(unaudited) in billions of Russian Roubles	**Moscow**	**Central and Northern regions of European part of Russia**	**Volga region and South of European part of Russia**	**Ural, Siberia and Far East of Russia**	**Other countries**	**Inter-company eliminations**	**Total**
Interest income	248.8	92.2	88.1	95.5	75.6	(17.1)	**583.1**
Interest expense	(95.4)	(43.4)	(31.9)	(30.1)	(40.5)	17.5	**(223.8)**
Intersegment income / (expense)	28.9	(9.8)	(9.5)	(9.6)	—	—	—
Net interest income	**182.3**	**39.0**	**46.7**	**55.8**	**35.1**	**0.4**	**359.3**
Net fee and comission income	10.5	29.7	27.1	28.3	10.8	(5.6)	**100.8**
Net trading income	6.7	—	—	—	2.0	0.5	**9.2**
Other net operating gains/(losses)	1.0	(3.1)	(3.7)	(3.0)	(6.8)	(5.8)	**(21.4)**
Net operating income before credit loss allowance	**200.5**	**65.6**	**70.1**	**81.1**	**41.1**	**(10.5)**	**447.9**
Net credit loss allowance charge for debt financial assets	1.2	(8.6)	(2.8)	(8.4)	(26.5)	1.8	**(43.3)**
Staff and administrative expenses	(75.1)	(22.0)	(20.3)	(21.7)	(22.9)	4.5	**(157.5)**
Profit/(loss) before tax (Segment result)	**126.6**	**35.0**	**47.0**	**51.0**	**(8.3)**	**(4.2)**	**247.1**
Other disclosures							
Capital expenditure incurred (additions of premises, equipment, intangible assets and investment property)	6.7	2.1	2.6	2.1	10.9	—	**24.4**
Depreciation of premises and equipment and amortisation of intangible assets	(9.9)	(1.8)	(2.1)	(2.0)	(2.6)	—	**(18.4)**

17 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the three months ended 31 March 2017 is as follows:

(unaudited) in billions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Inter-company eliminations	Total
Interest income	229.9	86.0	79.3	113.3	70.1	(17.9)	**560.7**
Interest expense	(87.8)	(48.8)	(32.5)	(41.2)	(33.1)	16.8	**(226.6)**
Intersegment income / (expense)	24.3	(7.6)	(6.4)	(10.3)	—	—	—
Net interest income	**166.4**	**29.6**	**40.4**	**61.8**	**37.0**	**(1.1)**	**334.1**
Net fee and comission income	4.9	23.9	19.9	26.9	8.5	(2.5)	**81.6**
Net trading income	17.0	(0.1)	0.1	(0.1)	2.3	0.5	**19.7**
Other net operating (losses)/gains	(7.0)	(1.7)	(4.6)	(1.5)	0.7	2.4	**(11.7)**
Net operating income before credit loss allowance	**181.3**	**51.7**	**55.8**	**87.1**	**48.5**	**(0.7)**	**423.7**
Net credit loss allowance charge for debt financial assets	(33.6)	(9.1)	(7.2)	(0.6)	(17.2)	3.2	**(64.5)**
Staff and administrative expenses	(63.3)	(21.3)	(16.9)	(24.4)	(22.0)	1.4	**(146.5)**
Profit before tax (Segment result)	**84.4**	**21.3**	**31.7**	**62.1**	**9.3**	**3.9**	**212.7**
Other disclosures							
Capital expenditure incurred (additions of premises, equipment, intangible assets and investment property)	6.6	2.2	2.1	2.2	7.9	—	**21.0**
Depreciation of premises and equipment and amortisation of intangible assets	(9.9)	(1.9)	(1.8)	(2.2)	(2.0)	—	**(17.8)**

17 Segment Analysis (continued)

Reconciliation of profit before tax for the reportable segments with the Group's profit before tax under IFRS for the three months ended 31 March 2018 and 31 March 2017 is as follows:

(unaudited) *in billions of Russian Roubles*	Three months ended 31 March 2018	2017
Total segments result	**247.1**	**212.7**
Adjustment to staff expenses accrued (bonuses, annual leave, pension liabilities)	1.6	(1.8)
Adjustment of provision for impairment of debt financial assets	(9.6)	(10.7)
Accounting for derivatives at fair value	10.1	(10.5)
Accounting for loans by effective rate method	6.6	1.7
Write-down of low value assets	0.1	(0.3)
Adjustment of other provisions	14.8	10.9
Adjustment of depreciation and initial cost or revalued amount of premises and equipment	2.4	3.2
Accounting for financial contracts with embedded derivatives	0.4	1.9
Accounting for financing by the effective rate method and early redemption of debt securities in issue	—	(0.2)
Accrual of expenses on customer loyalty programs	1.2	(0.2)
Adjustment for credit related commitments provision	8.9	(4.1)
Adjustment for legal claims provision	(3.4)	(0.2)
Commission income adjustment	5.3	1.9
Reclassification of securities between portfolios	—	0.5
Adjustment for recognition of securities on trade date	—	6.8
Accounting for mortgage loans securitisation	(0.3)	—
Effect of initial recognition of financial instruments at fair value	(12.2)	(0.2)
Accounting for loans at fair value	(0.6)	—
Other	(8.0)	(3.5)
The Group's profit before tax under IFRS	**264.4**	**207.9**

The differences shown above arise from classification variances as well as different accounting policies.

Adjustment of provisions is related to the difference between methodology applied in statutory accounting records used primarily as a basis for management reporting and IFRS impairment methodology.

For the three months ended 31 March 2018 the Group's revenues from customers in the Russian Federation amounted to RR 790.8 billion (for the three months ended 31 March 2017: RR 745.7 billion); revenues from customers in all foreign countries from which the Group derives revenues amounted to RR 81.8 billion (for the three months ended 31 March 2017: RR 74.2 billion). For the three months ended 31 March 2018 intersegment revenues amounted to RR 35.6 billion (for the three months ended 31 March 2017: RR 30.6 billion).

No revenue from transactions with a single external customer or counterparty amounted to 10.0% or more of the Group's total revenue during the three months ended 31 March 2018 and 31 March 2017.

18 Financial Risk Management

The Bank manages all significant types of risk for the Group, which are identified annually as a result of ongoing procedures for identification and evaluation of significant risks. The Group recognizes following significant types of risks: credit risk of corporate and retail customers, country risk, credit risk of financial institutions, liquidity risk, market risks on the operations on financial markets (interest rate risk, currency risk, commodity risk, risk of market credit spread, volatility risk), the risk of loss due to changes in value of real estate, legal and compliance risk, reputation risk, risk of models, risk of cybersecurity, operational, strategic, regulatory and tax risks. The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and limits. The operational risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational risk.

The Group's risk management policies and procedures are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2017, except for the changes in the policies and procedures for credit risk management disclosed below.

Adoption of IFRS 9: ***Credit risk. Expected credit losses allowance model.*** The Group applies a model for assessment of credit loss allowance for financial debt instruments, the key principle of which is the timely reflection of the deterioration or improvement in the credit quality of debt financial instruments taking into account current and forecasted information. The amount of expected credit losses recognized as a credit loss allowance depends on the degree of deterioration in credit quality since the initial recognition of a debt financial instrument.

Depending on the change in credit quality from the time of initial recognition, the Group classifies financial instruments as:

- "12-month expected credit loss (ECL)" (Stage 1) - debt financial instruments for which there was recorded no significant increase in credit risk, and provisions for such debt financial instruments are created on the basis of 12-month expected credit losses;

- "Lifetime ECL not credit-impaired" (Stage 2) - debt financial instruments for which there was recorded significant increase in credit risk, but not being impaired, and provisions for such instruments are created on the basis of expected credit losses for the whole lifetime;

- "Lifetime ECL credit-impaired" (Stage 3) – Impaired debt financial instruments.

For purchased or originated credit-impaired financial instruments the credit loss allowance represents the amount of cumulative changes of expected credit losses for the entire life of the instrument from the moment of acquisition or origination.

Signs of a significant increase in credit risk before transfer of assets to credit impaired. The main factors that indicate that a significant increase in credit risk occurred are:

1) Overdue payments for the period of 31-90 days;

2) Significant changes in the external and internal credit rating that arose as a result of changes in credit risk compared to the date of initial recognition;

3) Deterioration of the internal rating to the level at which the Group does not issue loans;

4) Identification of criteria that may affect the ability of the counterparty to pay (revocation of a license, availability of claims, violation of credit documentation, etc.).

18 Financial Risk Management (continued)

The main signs of debt financial instrument being credit-impaired (stage 3). The main signs of debt financial instrument being credit-impaired (stage 3):

1) the borrower is past due more than 90 days on credit obligation to the Group;

2) default restructuring of the debt and / or financial obligation on financial markets operations and the expected insolvency;

3) Other signs of insolvency, which lead to assignment of default rating to the borrower (bankruptcy, expected decision on borrower's liquidation or activity ceasing, expectations of overdue payments etc).

Recovery of the credit quality. Improvement of borrower's debt credit quality to Stage 1 risk level, for which significant increase in credit risk was recorded on previous reporting dates, is based on the assessment of the credit risk at reporting date as compared with those at the date of initial recognition.

Recovery of the credit-impaired debt credit quality to stage 1 risk level is recognized only if as of the reporting date no signs of impairment or indicators of significant increase in credit risk are noted.

Expected credit loss allowance recognition for assets that are purchased or originated credit-impaired. Expected credit loss allowance for purchased or originated credit impaired financial assets is measured as a cumulative changes in lifetime expected credit losses since initial recognition.

Debt financial asset is classified as purchased or originated credit-impaired when one or more events occured which negatively impact expected cash flows for such financial asset and those events are present as of the date of initial recognition. Such events include:

- significant financial difficulties of the counterparty / issuer;
- breach of the contract terms, such as past due payment;
- provision of favorable terms to a counterparty / issuer for economic reasons or contractual terms underpinned by financial difficulties of such counterparty / issuer and which the creditor would not otherwise provide;
- probability of a bankruptcy or other financial reorganization;
- the market becomes inactive for a financial asset as a result of the issuer's financial difficulties;
- aquisition or origination of a financial asset with significant discount which reflects incurred credit losses.

Expected credit loss allowance valuation methods and approaches. For the purpose of expected credit loss allowance assessment two methods are used: at the transaction level or at the counterparty level. An assessment at the transaction level is used for all debt financial instruments except for Retail segment.

An assessment at the counterparty level is used for all debt financial instruments assigned to Retail segment.

The Group mainly uses collective assessment for calculation of expected credit loss allowance. Collective assessment is mandatory for financial instruments that are not individually material for the Group or for which there were no significant increase in credit risk recorded during the reporting period, including default.

Individual assessment of expected credit losses. The amount of expected credit loss allowance is determined as the difference between the gross carrying amount of a debt financial asset and its recoverable amount. Estimation of expected credit losses with an individual approach takes into account time value of money, as well as reasonable information on past, current and expected future economic conditions. Discounted cash flow method is used for calculation of recoverable amount. This method is based on expected future payments on the debt financial asset (or other cash flows) and effective interest rate used as discount rate. Assessment of the recoverable amount takes into account following cash inflows:

1) free cash flows from operating activities;
2) future amounts recoverable upon the sale of a collateral;
3) cash receipts from other sources - for example, as a result of court proceedings (other than the sale of a collateral) or bankruptcy.

18 Financial Risk Management (continued)

The amount of expected credit loss allowance for each debt financial asset is based on an estimate of the weighted average expected credit losses for scenarios under consideration. The number of scenarios (not less than two including one with 100% loss) and their weights are determined in accordance with the Group methodology, taking into consideration current and reasonable forcasted information. As a result of the assessment on an individual basis, the carrying amount after deduction of expected credit loss allowance for debt financial asset is calculated.

Collective assessment of expected credit losses. Collective assessment of expected credit loss allowance for debt financial assets is performed on the basis of individual risk metrics (PD, LGD, EAD), which are assigned to each particular counterparty / issuer upon the analysis of financial and other information. Regular monitoring is carried out for such risk metrics.

PD – a probability of default which is based of the risk segment and the internal rating (or past due group) for the relevant period (12 months or the entire life of the instrument (Lifetime PD)). Values are determined based on internal models, as well as migration matrices (Markov chains). Lifetime PD calculation is adjusted for forward looking information. Current and expected changes in macroeconomic situation are used as forward looking information (for example real GDP growth, capital outflow, increase of real disposable households' income etc). Macroeconomic scenarios and their probability assessment are responsibility of the Group macroeconomic research center.

The basic segmentation principle for calculation of the probability of default (PD) for the provisioning purposes implies that debt financial instruments with a similar risk profile should be assigned to the same portfolio with a similar level of risk. The risk segment is determined on the basis of the counterparty / issuer specifics, its country of residence, size and business model.

LGD – a level of the loss arising on default, defined as the amount of losses of the debt at a time of possible default. Internal models developed on internal data are used for assignment of particular values.

EAD – exposure at default. Internal models developed on internal data are used for assessment of EAD.

Assessment of loss allowance for credit related commitments. Assessment of loss allowance for credit related commitments is performed on a similar basis with balance sheet exposures by application of credit conversion factor (CCF) if the counterparty has current balance sheet exposure. Statistical information and Basel Committee values are used for calculation of CCF. If the counterparty does not have balance sheet exposure the assessment of expected credit loss allowance is performed on an individual or collective basis depending on the amount of exposure by applying CCF.

Credit quality of financial instruments. Bellow is the classification of financial assets into five categories of credit risk which is the summary information on the credit quality of financial instruments that fall under IFRS 9.

"Minimum credit risk" – assets with counterparties that demonstrate stable ability to fulfill financial obligations in time, with insignificant probability of default.

"Low credit risk" – assets with counterparties with low probability of default with high ability to fulfill financials obligations in time.

"Moderate credit risk" – assets with counterparties with average probability of default and with moderate ability to fulfill financials obligations in time; more detailed consideration is required during monitoring.

"High credit risk" – assets with high probability of default; specific attention is required during monitoring.

"Default" – assets that are qualified as defaulted considering all available signs of impairment.

18 Financial Risk Management (continued)

Currency risk. Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign exchange risk on open positions, mainly US dollar/Russian Rouble and Euro/Russian Rouble exchange rate fluctuations.

Foreign exchange risk on forward and futures contracts is represented by their discounted positions. Foreign exchange options are disclosed in the amount that reflects theoretical sensitivity of their fair value to reasonable change in exchange rates. Commodity options are shown at their fair value in relative settlement currency. Equity instruments are classified based on the country of origin of issuer.

The table below summarizes the Group's exposure to foreign exchange risk in respect of financial assets, liabilities and derivatives as at 31 March 2018.

(unaudited) *in billions of Russian Roubles*	**Russian Roubles**	**US Dollars**	**Euro**	**Turkish Lyra**	**Other**	**Total**
Assets						
Cash and cash equivalents	1,192.9	461.6	347.2	24.3	93.5	**2,119.5**
Mandatory cash balances with central banks	161.5	120.8	51.1	9.9	68.0	**411.3**
Due from banks	1,078.9	105.5	19.1	7.9	87.0	**1,298.4**
Loans and advances to customers	12,519.8	3,191.3	1,527.5	872.5	468.2	**18,579.3**
Securities	2,268.5	653.2	145.0	99.1	78.3	**3,244.1**
Financial instruments pledged under repurchase agreements	176.1	5.9	2.2	44.7	—	**228.9**
Other financial assets	140.4	67.4	86.8	9.1	13.4	**317.1**
Total financial assets	**17,538.1**	**4,605.7**	**2,178.9**	**1,067.5**	**808.4**	**26,198.6**
Liabilities						
Due to banks	367.2	60.9	130.1	20.2	40.8	**619.2**
Due to individuals	9,457.0	1,920.4	1,204.7	432.6	301.8	**13,316.5**
Due to corporate customers	2,888.2	2,508.7	541.6	235.0	271.8	**6,445.3**
Debt securities in issue	564.9	251.3	98.0	57.5	15.1	**986.8**
Other borrowed funds	—	131.1	66.9	24.1	4.4	**226.5**
Obligations to deliver securities	15.3	19.5	1.5	—	0.6	**36.9**
Other financial liabilities	189.8	35.6	29.0	39.5	11.3	**305.2**
Subordinated debt	514.0	191.8	0.6	—	4.5	**710.9**
Total financial liabilities	**13,996.4**	**5,119.3**	**2,072.4**	**808.9**	**650.3**	**22,647.3**
Net financial assets/(liabilities)	**3,541.7**	**(513.6)**	**106.5**	**258.6**	**158.1**	**3,551.3**
Net derivatives	**(185.7)**	**498.3**	**(117.0)**	**(110.8)**	**(50.2)**	**34.6**
Credit related commitments and performance guarantees before loss allowance (Note 19)	**3,306.7**	**719.3**	**466.8**	**667.8**	**81.6**	**5,242.2**

18 Financial Risk Management (continued)

The table below summarizes the Group's exposure to foreign exchange risk in respect of financial assets, liabilities and derivatives as at 31 December 2017.

in billions of Russian Roubles	Russian Roubles	US Dollars	Euro	Turkish Lyra	Other	Total
Assets						
Cash and cash equivalents	1,415.2	457.9	299.6	32.0	124.7	**2,329.4**
Mandatory cash balances with central banks	158.9	117.8	45.4	30.0	75.0	**427.1**
Due from banks	1,089.5	107.3	45.3	9.1	66.6	**1,317.8**
Loans and advances to customers	12,241.7	3,483.6	1,436.0	872.2	454.6	**18,488.1**
Securities	2,068.1	670.1	133.8	86.3	72.2	**3,030.5**
Financial instruments pledged under repurchase agreements	191.0	8.0	1.1	57.7	1.1	**258.9**
Other financial assets	154.0	34.3	35.9	9.7	19.2	**253.1**
Total financial assets	**17,318.4**	**4,879.0**	**1,997.1**	**1,097.0**	**813.4**	**26,104.9**
Liabilities						
Due to banks	395.2	111.3	142.7	4.0	40.1	**693.3**
Due to individuals	9,571.8	1,950.4	1,180.5	431.9	285.7	**13,420.3**
Due to corporate customers	2,901.0	2,459.5	498.6	257.8	277.0	**6,393.9**
Debt securities in issue	517.5	260.4	97.7	45.9	13.1	**934.6**
Other borrowed funds	0.2	145.4	66.0	23.2	12.5	**247.3**
Obligations to deliver securities	10.8	19.4	0.3	—	0.4	**30.9**
Other financial liabilities	194.2	26.5	24.5	36.6	8.1	**289.9**
Subordinated debt	506.2	205.2	0.6	—	4.3	**716.3**
Total financial liabilities	**14,096.9**	**5,178.1**	**2,010.9**	**799.4**	**641.2**	**22,726.5**
Net financial assets/(liabilities)	**3,221.5**	**(299.1)**	**(13.8)**	**297.6**	**172.2**	**3,378.4**
Net derivatives	**(137.7)**	**341.2**	**(46.6)**	**(126.0)**	**(23.5)**	**7.4**
Credit related commitments and performance guarantees before loss allowance (Note 19)	**3,145.4**	**629.1**	**412.1**	**633.4**	**125.9**	**4,945.9**

The Group provides loans and advances to customers in foreign currency. Fluctuations of foreign currency exchange rates may negatively affect the ability of borrowers to repay loans, which will in turn increase the probability of loan loss.

18 Financial Risk Management (continued)

Liquidity risk. Liquidity risk is defined as the risk of inability of the Group to finance its performance, i.e. to ensure the growth of assets and/or fulfill its obligations as far as they arise on the condition of compliance to the requirements of the local regulator in the normal course of business as well as during stress situations. The Group is exposed to daily calls on its available cash resources from interbank overnight deposits, customer's current accounts, term deposits, loan drawdowns, guarantees, margin calls and on cash settled derivative instruments.

Principles that are used to analyze liquidity position presentation and manage the Group liquidity risk management are based on the Bank's of Russia prudential initiatives and the Bank's practice:

- cash and cash equivalents represent highly liquid assets and are classified as "On demand and less than 1 month";
- securities mandatorily measured and designated at fair value through profit or loss (2017: trading securities and securities designated as at fair value through profit or loss) and highly liquid portion of securities measured at fair value through other comprehensive income are considered to be liquid assets as these securities could be easily converted into cash within short period of time. Such financial instruments are disclosed in the analysis of liquidity position as "on demand and less than 1 month";
- securities measured at fair value through other comprehensive income (2017: investment securities available-for-sale) which are less liquid are disclosed according to remaining contractual maturities (for debt instruments) or as "No stated maturity / overdue" (for equity instruments);
- securities measured at amortized cost (2017: investment securities held-to-maturity) including those pledged under repurchase agreements are classified based on the remaining contractual maturities;
- highly liquid portion of financial instruments pledged under repurchase agreements is disclosed based on the remaining maturities of repurchase agreements;
- loans and advances to customers, amounts due from banks, other assets, debt securities in issue, amounts due to banks, other borrowed funds and other liabilities are included into analysis of liquidity position based on remaining contractual maturities (for loans and advances to customers "No stated maturity / overdue" category represents only actual payments which were overdue);
- term deposits of individuals are not disclosed as "On demand and less than 1 month" in full amount although individuals have a right to withdraw money from any account, including term deposits, before maturity date, losing the right to accrued interest;
- diversification of balances due to individuals and corporate customers by number and type of depositors and the past experience of the Group indicate that such balances provide a long-term and stable source of funding irrespective of their contractual maturities. As a result in the analysis of liquidity position balances due to individuals and corporate customers are allocated on the basis of expected time of funds outflow which is based on statistical data accumulated by the Group during the previous periods and assumptions regarding the "permanent" part of current account balances;
- assets and liabilities other than those discussed above are generally classified on the basis of their contractual maturities.

18 Financial Risk Management (continued)

The analysis of liquidity position of the Group's assets and liabilities as at 31 March 2018 is set out below.

(unaudited) *in billions of Russian Roubles*	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity/ overdue	Total
Assets							
Cash and cash equivalents	2,119.5	—	—	—	—	—	**2,119.5**
Mandatory cash balances with central banks	169.2	90.9	39.0	44.6	66.2	1.4	**411.3**
Due from banks	923.9	360.8	10.7	1.6	1.4	—	**1,298.4**
Loans and advances to customers	1,173.2	1,800.0	2,125.8	5,109.4	7,566.2	804.7	**18,579.3**
Securities	1,966.6	96.3	73.1	305.7	649.9	152.5	**3,244.1**
Financial instruments pledged under repurchase agreements	206.9	1.1	0.1	1.1	19.7	—	**228.9**
Derivative financial assets	19.5	35.8	28.6	52.0	18.3	—	**154.2**
Deferred tax asset	—	—	—	—	—	22.7	**22.7**
Premises and equipment	—	—	—	—	—	520.2	**520.2**
Assets of the disposal groups and non-current assets held for sale	1.0	—	11.0	—	—	—	**12.0**
Other assets	305.4	43.9	62.7	27.6	36.4	200.4	**676.4**
Total assets	**6,885.2**	**2,428.8**	**2,351.0**	**5,542.0**	**8,358.1**	**1,701.9**	**27,267.0**
Liabilities							
Due to banks	421.6	31.6	77.4	71.7	16.7	0.2	**619.2**
Due to individuals	2,654.8	4,086.4	2,082.1	2,094.0	2,392.8	6.4	**13,316.5**
Due to corporate customers	1,488.1	808.8	368.5	691.6	3,075.5	12.8	**6,445.3**
Debt securities in issue	136.7	255.2	217.2	211.5	166.2	—	**986.8**
Other borrowed funds	33.6	84.1	53.9	20.8	34.1	—	**226.5**
Derivative financial liabilities and obligations to deliver securities	55.0	23.3	22.4	41.5	14.3	—	**156.5**
Deferred tax liability	—	—	—	—	—	10.6	**10.6**
Other liabilities	255.9	68.1	90.4	148.0	599.2	49.6	**1,211.2**
Subordinated debt	2.7	3.0	39.6	499.8	165.8	—	**710.9**
Total liabilities	**5,048.4**	**5,360.5**	**2,951.5**	**3,778.9**	**6,464.6**	**79.6**	**23,683.5**
Net liquidity gap	**1,836.8**	**(2,931.7)**	**(600.5)**	**1,763.1**	**1,893.5**	**1,622.3**	**3,583.5**
Cumulative liquidity gap as at 31 March 2018	**1,836.8**	**(1,094.9)**	**(1,695.4)**	**67.7**	**1,961.2**	**3,583.5**	**—**

18 Financial Risk Management (continued)

The analysis of liquidity position of the Group's assets and liabilities as at 31 December 2017 is set out below.

in billions of Russian Roubles	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity/ overdue	Total
Assets							
Cash and cash equivalents	2,329.4	—	—	—	—	—	**2,329.4**
Mandatory cash balances with central banks	185.7	99.4	40.8	37.9	63.3	—	**427.1**
Due from banks	926.1	137.5	237.3	11.6	4.1	1.2	**1,317.8**
Loans and advances to customers	905.8	1,836.0	2,090.1	5,089.6	7,974.6	592.0	**18,488.1**
Securities	2,184.9	72.8	52.5	220.7	497.8	1.8	**3,030.5**
Financial instruments pledged under repurchase agreements	222.8	15.2	—	—	20.9	—	**258.9**
Derivative financial assets	17.7	24.0	27.8	43.6	27.8	—	**140.9**
Deferred tax asset	—	—	—	—	—	15.5	**15.5**
Premises and equipment	—	—	—	—	—	516.2	**516.2**
Assets of the disposal groups and non-current assets held for sale	—	10.5	—	—	—	—	**10.5**
Other assets	202.4	44.3	53.6	46.6	28.6	201.8	**577.3**
Total assets	**6,974.8**	**2,239.7**	**2,502.1**	**5,450.0**	**8,617.1**	**1,328.5**	**27,112.2**
Liabilities							
Due to banks	455.4	76.5	47.4	93.6	20.4	—	**693.3**
Due to individuals	2,998.1	4,671.2	1,655.1	1,334.7	2,761.2	—	**13,420.3**
Due to corporate customers	1,757.5	850.4	416.3	611.0	2,758.7	—	**6,393.9**
Debt securities in issue	115.7	292.0	110.8	278.3	137.8	—	**934.6**
Other borrowed funds	44.6	82.0	66.7	19.0	35.0	—	**247.3**
Derivative financial liabilities and obligations to deliver securities	53.8	34.0	20.9	41.9	13.8	—	**164.4**
Deferred tax liability	—	—	—	—	—	27.7	**27.7**
Other liabilities	223.2	73.4	37.2	107.8	559.3	77.5	**1,078.4**
Subordinated debt	0.1	16.6	39.1	493.4	167.1	—	**716.3**
Total liabilities	**5,648.4**	**6,096.1**	**2,393.5**	**2,979.7**	**6,453.3**	**105.2**	**23,676.2**
Net liquidity gap	**1,326.4**	**(3,856.4)**	**108.6**	**2,470.3**	**2,163.8**	**1,223.3**	**3,436.0**
Cumulative liquidity gap as at 31 December 2017	**1,326.4**	**(2,530.0)**	**(2,421.4)**	**48.9**	**2,212.7**	**3,436.0**	**—**

19 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and internal professional advice the Management is of the opinion that no material losses will be incurred in respect of the claims in excess of the amounts already provided for in these interim condensed consolidated financial statements.

PPF Management LLC filed a claim in the US District Court of the Southern District of New York against the Bank for reimbursement of damages in the amount of USD 750 million caused according to the plaintiff by withdrawal of shares of OJSC Pavlovskgranit from the owner. The Bank acted strictly in accordance with the Russian legislation and in the best interest of the Bank's shareholders during the recovery of the non-performing loan, which is confirmed by subsequent decisions in the courts of the Russian Federation. In accordance with the decision of the Bankruptcy Court of the Southern District of New York dated 31 July 2017 the bankruptcy procedure against S.P. Poymanov (former shareholder of OJSC Pavlovskgranit) which was initiated and put into force on the territory of the Russian Federation, was recognized in the United States; financial manager of S.P. Poymanov was declared as his authorized representative. Also, on 31 July 2017 Arbitrage court of the Moscow region within the bankruptcy procedure against S.P. Poymanov declared void the transaction for transfer of rights of claim by S.P. Poymanov in favour of PPF Management LLC which were the basis for the claim for reimbursement of damages in the amount of USD 750 million. This decision was left unchanged by Resolution of the Tenth Arbitrage Court of Appeal dated 17 October 2017. On 28 February 2018 the Bankruptcy Court of the Southern District of New York dismissed the case due to the absence of the court's jurisdiction. On 23 May 2018 Appeal claim of PPF Management LLC was dismissed. The legal act came into force.

Moscow Prosecutor's office filed a claim in the Moscow Arbitration Court against the Bank and a customer of the Bank (together - parties) to void the derivative deals concluded between the parties. The Bank's management examined the circumstances of the case, the existing documentation and the Bank estimates the outflow of resources on this lawsuit as possible. In relation to this claim the Group booked a provision in the amount of expected losses.

Credit related commitments and performance guarantees. The primary purpose of credit related commitments instruments is to ensure that funds are available to a customer when required. Financial guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer can not meet the obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than direct lending.

Commitments to extend credit represent unused portions of authorizations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss equal to the total amount of unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the maturities of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

19 Contingencies and Commitments (continued)

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses historical data and statistical techniques to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cashflows. The Group manages such risks by constantly monitoring the level of payments for such products and has the ability to adjust its fees in the future to reflect any change in claim payments experience. The Group has a claim payment requests handling process which includes the right to review the claim and reject fraudulent or non-compliant requests.

Outstanding credit related commitments and performance guarantees are as follows:

in billions of Russian Roubles	**31 March 2018 (unaudited)**	**31 December 2017**
Commitments to extend credit	2,135.4	2,028.2
Guarantees issued:		
- Financial guarantees	1,086.2	1,069.9
- Performance guarantees	608.8	638.6
Undrawn credit lines	964.2	831.4
Export letters of credit	195.9	194.7
Import letters of credit and letters of credit for domestic settlements	251.7	183.1
Total credit related commitments and performance guarantees before credit loss allowance	**5,242.2**	**4,945.9**
Less credit loss allowance	(21.7)	(22.2)
Total credit related commitments and performance guarantees	**5,220.5**	**4,923.7**

As at 31 March 2018 included in due to corporate customers are deposits of RR 125.9 billion (31 December 2017: RR 121.6 billion) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 9.

Reconciliation of the closing loss allowance for loan commitments and financial guarantee contracts in accordance with IAS 37 as at 31 December 2017 to the loss allowance determined in accordance with IFRS 9 as at 1 January 2018 is disclosed in Note 4.

The total outstanding contractual amount of undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash payments, as these instruments may expire or terminate without any payments being made.

20 Fair Value Disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

20 Fair Value Disclosures (continued)

The following table shows an analysis of assets carried at fair value by level of the fair value hierarchy as at 31 March 2018:

(unaudited) *in billions of Russian Roubles*	Level 1	Level 2	Level 3	Total
Assets carried at fair value or revalued amount				
Cash and cash equivalents	—	10.9	—	10.9
Due from banks	—	350.6	—	350.6
Loans and advances to customers	**—**	**—**	**702.3**	**702.3**
- Commercial loans to legal entities	—	—	284.7	284.7
- Project finance loans to legal entities	—	—	414.1	414.1
- Consumer and other loans to individuals	—	—	3.5	3.5
Securities				
- Securities measured at fair value through other comprehensive income	***1,642.3***	***154.4***	***42.8***	***1,839.5***
Russian federal loan bonds (OFZ bonds)	917.4	37.2	—	954.6
Corporate bonds	271.6	58.0	42.8	372.4
Russian Federation Eurobonds	178.9	—	—	178.9
Foreign government and municipal bonds	147.6	29.2	—	176.8
Bonds of the Bank of Russia	69.4	30.0	—	99.4
Mortgage-backed securities	42.8	—	—	42.8
Russian municipal and subfederal bonds	12.5	—	—	12.5
Promissory notes	1.4	—	—	1.4
Shares	0.7	—	—	0.7
- Securities mandatorily measured at fair value through profit or loss	***445.7***	***16.5***	***35.2***	***497.4***
Russian federal loan bonds (OFZ bonds)	225.2	—	—	225.2
Corporate bonds	149.7	16.4	—	166.1
Corporate shares	60.0	0.1	28.5	88.6
Foreign government and municipal bonds	8.3	—	—	8.3
Investments in mutual funds	—	—	6.7	6.7
Russian Federation Eurobonds	1.8	—	—	1.8
Russian municipal and subfederal bonds	0.7	—	—	0.7
Financial instruments pledged under repurchase agreements				
- Securities measured at fair value through other comprehensive income	***208.6***	***—***	***—***	***208.6***
Russian federal loan bonds (OFZ bonds)	175.4	—	—	175.4
Foreign government and municipal bonds	29.5	—	—	29.5
Corporate bonds	3.7	—	—	3.7
- Securities mandatorily measured at fair value through profit or loss	***0.6***	***—***	***—***	***0.6***
Corporate shares	0.5	—	—	0.5
Foreign government and municipal bonds	0.1	—	—	0.1
Derivative financial assets	**—**	**153.2**	**1.0**	**154.2**
Foreign currency interest rate derivatives	—	45.0	—	45.0
Commodity derivatives including precious metals derivatives	—	31.1	—	31.1
Foreign currency derivatives	—	29.6	—	29.6
Interest rate derivatives	—	29.4	—	29.4
Equity securities derivatives	—	10.0	1.0	11.0
Debt securities derivatives	—	7.8	—	7.8
Credit risk derivatives	—	0.2	—	0.2
Other derivatives	—	0.1	—	0.1
Investment property	**—**	**—**	**7.6**	**7.6**
Office premises	**—**	**—**	**274.0**	**274.0**
Total assets carried at fair value	**2,297.2**	**685.6**	**1,062.9**	**4,045.7**

20 Fair Value Disclosures (continued)

The following table shows an analysis of assets carried at fair value by level of the fair value hierarchy as at 31 December 2017:

in billions of Russian Roubles	Level 1	Level 2	Level 3	Total
Assets carried at fair value or revalued amount				
Securities mandatorily measured at fair value through profit or loss	**77.1**	**7.1**	**—**	**84.2**
Corporate bonds	27.9	7.1	—	**35.0**
Corporate shares	23.5	—	—	**23.5**
Russian federal loan bonds (OFZ bonds)	14.5	—	—	**14.5**
Russian Federation Eurobonds	9.7	—	—	**9.7**
Foreign government and municipal bonds	1.3	—	—	**1.3**
Investments in mutual funds	0.1	—	—	**0.1**
Russian municipal and subfederal bonds	0.1	—	—	**0.1**
Securities designated as at fair value through profit or loss	**269.5**	**125.4**	**34.1**	**429.0**
Corporate bonds	94.9	125.4	0.3	**220.6**
Russian federal loan bonds (OFZ bonds)	164.0	—	—	**164.0**
Corporate shares	6.2	—	22.6	**28.8**
Investments in mutual funds	—	—	11.2	**11.2**
Foreign government and municipal bonds	2.5	—	—	**2.5**
Russian municipal and subfederal bonds	1.4	—	—	**1.4**
Russian Federation Eurobonds	0.5	—	—	**0.5**
Financial instruments pledged under repurchase agreements	**225.1**	**—**	**—**	**225.1**
Russian federal loan bonds (OFZ bonds)	176.8	—	—	**176.8**
Foreign government and municipal bonds	44.2	—	—	**44.2**
Corporate bonds	3.6	—	—	**3.6**
Corporate shares	0.4	—	—	**0.4**
Russian Federation Eurobonds	0.1	—	—	**0.1**
Investment securities available-for-sale	**1,643.4**	**51.9**	**48.4**	**1,743.7**
Russian federal loan bonds (OFZ bonds)	897.9	—	—	**897.9**
Corporate bonds	379.3	13.8	—	**393.1**
Russian Federation Eurobonds	192.1	—	—	**192.1**
Foreign government and municipal bonds	124.3	36.7	—	**161.0**
Mortgage-backed securities	—	—	45.6	**45.6**
Corporate shares	27.6	—	2.8	**30.4**
Russian municipal and subfederal bonds	12.0	—	—	**12.0**
Bonds of the Bank of Russia	10.2	—	—	**10.2**
Promissory notes	—	1.4	—	**1.4**
Derivative financial instruments	**—**	**140.0**	**0.9**	**140.9**
Foreign currency interest rate derivatives	—	39.8	—	**39.8**
Foreign currency derivatives	—	30.1	—	**30.1**
Commodity derivatives including precious metals derivatives	—	25.4	—	**25.4**
Interest rate derivatives	—	25.4	—	**25.4**
Equity securities derivatives	—	9.2	0.9	**10.1**
Debt securities derivatives	—	9.8	—	**9.8**
Credit risk derivatives	—	0.2	—	**0.2**
Other derivatives	—	0.1	—	**0.1**
Investment property	**—**	**—**	**7.7**	**7.7**
Office premises	**—**	**—**	**276.7**	**276.7**
Total assets carried at fair value	**2,215.1**	**324.4**	**367.8**	**2,907.3**

20 Fair Value Disclosures (continued)

The following table shows fair values of assets for which fair values are disclosed, by level of the fair value hierarchy as at 31 March 2018:

(unaudited) *in billions of Russian Roubles*	Carrying value	Fair value Level 1	Level 2	Level 3	Total
Financial assets carried at amortized cost					
Cash and cash equivalents	2,108.6	513.8	1,594.8	—	**2,108.6**
Mandatory cash balances with central banks	411.3	—	411.3	—	**411.3**
Due from banks	947.8	—	947.8	—	**947.8**
Loans and advances to customers	17,877.0	—	—	19,114.4	**19,114.4**
Securities	907.2	630.7	294.2	0.7	**925.6**
Financial instruments pledged under repurchase agreements	19.7	19.1	—	—	**19.1**
Other financial assets	317.1	—	—	317.1	**317.1**
Total financial assets carried at amortized cost	**22,588.7**	**1,163.6**	**3,248.1**	**19,432.2**	**23,843.9**

The following table shows fair values of assets for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2017:

in billions of Russian Roubles	Carrying value	Fair value Level 1	Level 2	Level 3	Total
Financial assets carried at amortized cost					
Cash and cash equivalents	2,329.4	646.8	1,682.6	—	**2,329.4**
Mandatory cash balances with central banks	427.1	—	427.1	—	**427.1**
Due from banks	1,317.8	—	1,317.8	—	**1,317.8**
Loans and advances to customers	18,488.1	—	—	19,287.9	**19,287.9**
Financial instruments pledged under repurchase agreements	33.8	33.1	—	—	**33.1**
Investment securities held-to-maturity	773.6	719.9	71.9	—	**791.8**
Other financial assets	253.1	—	—	253.1	**253.1**
Total financial assets carried at amortized cost	**23,622.9**	**1,399.8**	**3,499.4**	**19,541.0**	**24,440.2**

20 Fair Value Disclosures (continued)

The following table shows an analysis of liabilities carried at fair value by level of the fair value hierarchy as at 31 March 2018:

(unaudited) *in billions of Russian Roubles*	Level 1	Level 2	Level 3	Total
Liabilities carried at fair value				
Due to banks designated at fair value through profit or loss	—	203.0	—	**203.0**
Due to corporate customers designated at fair value through profit or loss	—	0.4	—	**0.4**
Derivative financial instruments	**—**	**119.6**	**—**	**119.6**
Foreign currency interest rate derivatives	—	39.0	—	**39.0**
Interest rate derivatives	—	31.1	—	**31.1**
Commodity derivatives including precious metals derivatives	—	25.5	—	**25.5**
Foreign currency derivatives	—	22.0	—	**22.0**
Equity securities derivatives	—	1.4	—	**1.4**
Debt securities derivatives	—	0.4	—	**0.4**
Credit risk derivatives	—	0.2	—	**0.2**
Obligation to deliver securities	**36.9**	**—**	**—**	**36.9**
Corporate bonds	17.2	—	—	**17.2**
Shares	10.8	—	—	**10.8**
Russian federal loan bonds (OFZ bonds)	4.4	—	—	**4.4**
Russian Federation Eurobonds	4.3	—	—	**4.3**
Foreign government and municipal bonds	0.2	—	—	**0.2**
Total liabilities carried at fair value	**36.9**	**323.0**	**—**	**359.9**

The following table shows an analysis of liabilities carried at fair value by level of the fair value hierarchy as at 31 December 2017:

in billions of Russian Roubles	Level 1	Level 2	Level 3	Total
Liabilities carried at fair value				
Derivative financial instruments	**—**	**133.5**	**—**	**133.5**
Foreign currency interest rate derivatives	—	53.3	—	**53.3**
Foreign currency derivatives	—	33.5	—	**33.5**
Commodity derivatives including precious metals derivatives	—	23.3	—	**23.3**
Interest rate derivatives	—	22.1	—	**22.1**
Equity securities derivatives	—	1.0	—	**1.0**
Credit risk derivatives	—	0.3	—	**0.3**
Obligation to deliver securities	**30.9**	**—**	**—**	**30.9**
Corporate bonds	12.8	—	—	**12.8**
Russian federal loan bonds (OFZ bonds)	7.3	—	—	**7.3**
Corporate shares	5.6	—	—	**5.6**
Russian Federation Eurobonds	4.4	—	—	**4.4**
Foreign government and municipal bonds	0.6	—	—	**0.6**
Investments in mutual funds	0.2	—	—	**0.2**
Total liabilities carried at fair value	**30.9**	**133.5**	**—**	**164.4**

20 Fair Value Disclosures (continued)

The following table shows fair values of liabilities for which fair values are disclosed, by level of the fair value hierarchy as at 31 March 2018:

(unaudited) *in billions of Russian Roubles*	**Carrying value**	**Fair value** Level 1	Level 2	Level 3	Total
Financial liabilities carried at amortized cost					
Due to banks	416.2	—	241.3	172.4	**413.7**
Due to individuals	13,316.5	—	2,924.0	10,336.2	**13,260.2**
Due to corporate customers	6,444.9	—	2,341.1	4,030.6	**6,371.7**
Debt securities in issue	986.8	431.4	487.0	80.1	**998.5**
Other borrowed funds	226.5	—	42.6	185.0	**227.6**
Other financial liabilities	305.2	—	—	305.2	**305.2**
Subordinated debt	710.9	194.9	6.8	512.1	**713.8**
Total liabilities carried at amortized cost	**22,407.0**	**626.3**	**6,042.8**	**15,621.6**	**22,290.7**

The following table shows fair values of liabilities for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2017:

in billions of Russian Roubles	**Carrying value**	**Fair value** Level 1	Level 2	Level 3	Total
Financial liabilities carried at amortized cost					
Due to banks	693.3	—	693.8	—	**693.8**
Due to individuals	13,420.3	—	3,052.2	10,347.1	**13,399.3**
Due to corporate customers	6,393.9	—	2,204.8	4,131.8	**6,336.6**
Debt securities in issue	934.6	396.9	492.1	61.6	**950.6**
Other borrowed funds	247.3	—	2.4	244.2	**246.6**
Other financial liabilities	289.9	—	—	289.9	**289.9**
Subordinated debt	716.3	199.8	6.5	515.4	**721.7**
Total liabilities carried at amortized cost	**22,695.6**	**596.7**	**6,451.8**	**15,590.0**	**22,638.5**

20 Fair Value Disclosures (continued)

Level 2 includes debt securities of first-class borrowers and derivative financial instruments that are not actively traded on the market. Fair value of these financial instruments was calculated using techniques for which all inputs which have a significant effect on the recorded fair value are observable on the active market. Financial characteristics of comparable financial instruments actively traded on the market were used as inputs for the fair valuation models.

The following describes the methodologies and assumptions used to determine fair values for financial instruments.

Derivatives

Derivatives valued using a valuation technique with market observable inputs derived from well-known market information systems are mainly foreign currency interest rate swaps, interest rate swaps, currency swaps, forward foreign exchange contracts and foreign exchange option contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Option-pricing is mostly done with Black-Scholes model and for certain types of options with stochastic local volatility model. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and implied volatility. In rare exceptional cases, DCF model may be applied, in case where it is impossible to obtain market data.

Securities measured at fair value through profit or loss and securities at fair value through other comprehensive income (2017: available-for-sale)

Securities measured at fair value through profit or loss, securities measured at fair value through other comprehensive income (2017: investment securities available-for-sale) valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

The following table shows transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets measured at fair value during the three months ended 31 March 2018:

	Transfers between Level 1 and Level 2	
(unaudited) *in billions of Russian Roubles*	**From Level 1 to Level 2**	**From Level 2 to Level 1**
Financial assets		
Securities measured at fair value through other comprehensive income	77.1	—
Securities mandatorily measured at fair value through profit or loss	1.2	18.0
Total transfers of financial assets	**78.3**	**18.0**

The following table shows transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets measured at fair value during the year ended 31 December 2017:

	Transfers between Level 1 and Level 2	
in billions of Russian Roubles	**From Level 1 to Level 2**	**From Level 2 to Level 1**
Financial assets		
Securities mandatorily measured at fair value through profit or loss	0.3	0.1
Securities designated as at fair value through profit or loss	1.6	4.1
Investment securities available-for-sale	20.5	10.4
Total transfers of financial assets	**22.4**	**14.6**

20 Fair Value Disclosures (continued)

The financial instruments are transferred from Level 2 and Level 3 to Level 1 when they become actively traded and fair values are determined using quoted prices in an active market.

The financial instruments are transferred from Level 1 to Level 2 when they ceased to be actively traded, the liquidity of the market is not sufficient to use the market quotation for the valuation and fair values are consequently obtained from valuation techniques using observable market inputs.

The financial instruments are transferred to Level 3 when they ceased to be actively traded and there is no possibility to use valuation techniques with observable market inputs.

The following table shows a reconciliation of the opening and closing amount of Level 3 assets which are recorded at fair value as at 31 March 2018:

(unaudited) *in billions of Russian Roubles*	At 31 December 2017 / At 1 January 2018 as reclassified under IFRS 9	Total gains/ (losses) reported in profit or loss	Foreign currency revaluation	Total income/ (losses) reported in other compre-hensive income	Purchases	Sales/ Settlements	Transfers from Level 3	At 31 March 2018
Securities mandatorily measured at fair value through profit or loss	**36.9**	(1.4)	—	—	—	(0.3)	—	**35.2**
Securities measured at fair value through other comprehensive income	**45.7**	0.4	—	0.9	—	(4.2)	—	**42.8**
Loans and advances to customers	**561.2**	(10.3)	(0.6)	—	155.0	(3.0)	—	**702.3**
Derivative financial assets	**0.9**	0.1	—	—	—	—	—	**1.0**
Investment property	**7.7**	—	—	—	1.0	(0.2)	(0.9)	**7.6**
Office premises	**276.7**	(1.4)	0.6	(1.1)	0.8	(1.2)	(0.4)	**274.0**
Total level 3 assets	**929.1**	**(12.6)**	**—**	**(0.2)**	**156.8**	**(8.9)**	**(1.3)**	**1,062.9**

For the three months ended 31 March 2018 the losses in the amount of RR 0.6 billion reported in the interim consolidated statement of profit or loss on Level 3 financial assets were unrealized.

For the three months ended 31 March 2018 the gains in the amount RR 0.9 billion reported in the interim consolidated statement of comprehensive income on Level 3 financial assets were unrealized.

Total losses recognized as profit or loss on securities mandatorily measured at fair value through profit or loss which are presented in the table above are reported in the interim consolidated statement of profit or loss within net gains from non-derivative financial instruments at fair value through profit or loss.

Total gains recognized as profit or loss on securities measured at fair value through other comprehensive income which are presented in the table above are reported in the interim consolidated statement of profit or loss within net gains from financial instruments at fair value through other comprehensive income.

Total gains recognized as profit or loss on derivative financial assets which are presented in the table above are reported in the interim consolidated statement of profit or loss within net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation.

Total losses recognized as profit or loss on office premises which are presented in the table above are reported in the interim consolidated statement of profit or loss within staff and administrative expenses.

Valuation of loan to chemical company of RR 129.5 billion using valuation techniques based on non-observable inputs

The Group determined fair value of loans based on discounted cash flow model using the pricing of embedded derivatives. The model uses a number of observable and non-observable inputs on the market, examples of which are the discount rate and the credit spread.

Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the loans would be RR 3.7 billion lower / RR 3.7 billion higher.

20 Fair Value Disclosures (continued)

Valuation of loan to an oil refining company of RR 76.2 billion using valuation techniques based on non-observable inputs

The Group determined fair value of loans based on discounted cash flow model using the pricing of embedded derivatives. The model uses a number of observable and non-observable inputs on the market, examples of which are the discount rate and the credit spread.

Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the loans would be RR 3.1 billion lower / RR 3.1 billion higher.

Valuation of loan to a mining company of RR 53.9 billion using valuation techniques based on non-observable inputs

The Group determined fair value of loans based on discounted cash flow model using the pricing of embedded derivatives. The model uses a number of observable and non-observable inputs on the market, examples of which are the discount rate and the credit spread.

Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the loans would be RR 1.8 billion lower / RR 1.8 billion higher.

Valuation of loan to metallurgical company of RR 46.8 billion using valuation techniques based on non-observable inputs

The Group determined fair value of loans based on discounted cash flow model using the pricing of embedded derivatives. The model uses a number of observable and non-observable inputs on the market, examples of which are the discount rate and the credit spread.

Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the loans would be RR 1.7 billion lower / RR 1.7 billion higher.

Valuation of mortgage-backed securities of RR 42.8 billion using valuation techniques based on non-observable inputs

The model uses a number of observable and unobservable inputs to derive a valuation. Examples of such include Russian mortgage rates and the credit spread for JSC "DOM.RF" (the former Agency for Housing Mortgage Lending) (all considered observable), while portfolio aging period and behavioral adjustment on refinancing position are examples of unobservable inputs.

Should the Russian mortgage rate used by the Group (published by the Bank of Russia) in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.04 billion higher / RR 0.02 billion lower. Should the JSC "DOM.RF" credit spread used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.3 billion lower / RR 1.4 billion higher.

20 Fair Value Disclosures (continued)

Valuation of share in a real estate company of RR 8.4 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: weighted average cost of capital (WACC) and estimated capitalization rate (CapRate) which depend on forecasts on property prices. WACC as at 31 March 2018 is 10.0%, CapRate – 10.0%.

Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.1 billion lower / RR 1.2 billion higher. Should the capitalization rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 2.1 billion lower / RR 2.6 billion higher.

Valuation of non-voting share in a special investment fund (SIF) with investments in telecom, real estate and oil companies of RR 5.5 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: WACC and estimated guaranteed fixed yield on exit. Guaranteed fixed yield is not linked to the market and so has immaterial influence on the value of the financial instrument. WACC as at 31 March 2018 is 13.5%.

Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.06 billion lower / RR 0.06 billion higher.

Valuation of investment in a exempted limited partnership investment fund specializing in venture capital investments of RR 5.5 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on the model of net assets valuation as, in accordance with the accounting policy, the assets of investment fund are accounted for at fair value based on International regulations on valuation of private equity funds and venture capital funds (Private Equity and Venture Capital Valuation (IPEV)).

Should the amount of net assets of investment fund used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.06 billion higher / RR 0.06 billion lower.

Valuation of investment in a mining company of RR 4.6 billion using valuation techniques based on non-observable inputs

Fair value of investments was determined based on net assets value, while valuation of the investments in the company's operational subsidiaries was based on discounted cash flow model using the following key assumptions: WACC, operational expenses, cost of investments, price and volume of sale.

WACC of operational companies as at 31 March 2018 is 14.2%, 16.3%, 16.5% and 18.9%. Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.5 billion lower / RR 0.6 billion higher.

Valuation of share in a real estate company of RR 4.4 billion using valuation techniques based on non-observable inputs

Fair value of 16 properties with a total area of 102 000 square meters was based on market value of real estate units using average market price for one square meter of real estate properties (39 thousand Russian Roubles). Should the average market price for square meter of real estate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.04 billion higher / RR 0.04 billion lower.

20 Fair Value Disclosures (continued)

The following table shows a reconciliation of the opening and closing amount of Level 3 assets which are recorded at fair value as at 31 December 2017:

in billions of Russian Roubles	**At 31 December 2016**	**Total (losses)/ gains reported in profit or loss**	**Foreign currency revaluation**	**Total gains reported in other compre-hensive income**	**Purchases**	**Sales/ Settlements**	**Transfers from Level 3**	**Transfers to other classes of assets**	**Transfers to Level 3**	**At 31 December 2017**
Securities mandatorily measured at fair value through profit or loss	—	—	—	—	0.7	—	(0.7)	—	—	—
Securities designated as at fair value through profit or loss	**22.8**	2.0	(0.6)	—	4.1	—	(0.7)	—	6.5	**34.1**
Investment securities available-for-sale	**0.2**	3.7	—	(2.4)	57.2	(10.3)	—	—	—	**48.4**
Derivative financial instruments	—	0.9	—	—	—	—	—	—	—	**0.9**
Investment property	**8.4**	(0.6)	(0.3)	—	2.1	(1.9)	—	—	—	**7.7**
Office premises	**293.6**	(5.9)	(0.8)	(3.4)	7.5	(8.9)	—	(5.4)	—	**276.7**
Total level 3 assets	**325.0**	**0.1**	**(1.7)**	**(5.8)**	**71.6**	**(21.1)**	**(1.4)**	**(5.4)**	**6.5**	**367.8**

For the year ended 31 December 2017 the gains in the amount of RR 6.9 billion reported in the consolidated statement of profit or loss on Level 3 financial assets were unrealized.

For the year ended 31 December 2017 the losses in the amount RR 2.4 billion reported in the consolidated statement of comprehensive income on Level 3 financial assets were unrealized.

Total gains recognized as profit or loss on securities designated as at fair value through profit or loss which are presented in the table above are reported in the consolidated statement of profit or loss within net gains from securities designated as at fair value through profit or loss.

Total gains recognized as profit or loss on investment securities available-for-sale which are presented in the table above are reported in the consolidated statement of profit or loss within net gains from investment securities available-for-sale.

Total gains recognized as profit or loss on derivative financial instruments which are presented in the table above are reported in the consolidated statement of profit or loss within net (losses) / gains from operations with other derivatives.

Total losses recognized as profit or loss on investment property which are presented in the table above are reported in the consolidated statement of profit or loss within other net operating income.

Total losses recognized as profit or loss on office premises which are presented in the table above are reported in the consolidated statement of profit or loss within impairment of premises, equipment and intangible assets and within operating expenses.

Valuation of mortgage-backed securities of RR 45.6 billion using valuation techniques based on non-observable inputs

The model uses a number of observable and unobservable inputs to derive a valuation. Examples of such include Russian mortgage rates and the credit spread for JSC “DOM.RF” (all considered observable), while portfolio aging period and behavioral adjustment on refinancing position are examples of unobservable inputs.

Should the Russian mortgage rate used by the Group (published by the Bank of Russia) in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.01 billion higher / RR 0.02 million lower. Should the JSC “DOM.RF” credit spread used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.2 billion lower / RR 1.3 billion higher.

20 Fair Value Disclosures (continued)

Valuation of share in a real estate company of RR 8.4 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: weighted average cost of capital (WACC) and estimated capitalization rate (CapRate) which depend on forecasts on property prices. WACC as at 31 March 2018 is 10.0%, CapRate – 10.0%.

Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.1 billion lower / RR 1.2 billion higher. Should the capitalization rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 2.1 billion lower / RR 2.6 billion higher.

Valuation of non-voting share in a special investment fund (SIF) with investments in oil companies of RR 5.3 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: WACC and estimated guaranteed fixed yield on exit. Guaranteed fixed yield is not linked to the market and so has immaterial influence on the value of the financial instrument. WACC as at 31 March 2018 is 13.5%.

Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.06 billion lower / RR 0.06 billion higher.

Valuation of investment in a exempted limited partnership investment fund specializing in venture capital investments of RR 4.8 billion using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on the model of net assets valuation as, in accordance with the accounting policy, the assets of investment fund are accounted for at fair value based on International regulations on valuation of private equity funds and venture capital funds (Private Equity and Venture Capital Valuation (IPEV)).

Should the amount of net assets of investment fund used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.05 billion higher / RR 0.05 billion lower.

Valuation of investment in a mining company of RR 4.7 billion using valuation techniques based on non-observable inputs

Fair value of investments was determined based on net assets value, while valuation of the investments in the company's operational subsidiaries was based on discounted cash flow model using the following key assumptions: WACC, operational expenses, cost of investments, price and volume of sale.

WACC of operational companies as at 31 March 2018 is 14.2%, 16.3%, 16.5% and 18.9%. Should the discount rate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.5 billion lower / RR 0.6 billion higher.

Valuation of share in a real estate company of RR 4.4 billion using valuation techniques based on non-observable inputs

Fair value of 16 properties with a total area of 102 000 square meters was based on market value of real estate units using average market price for one square meter of real estate properties (39 thousand Russian Roubles). Should the average market price for square meter of real estate used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.04 billion higher / RR 0.04 billion lower.

21 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's principal shareholder is the Bank of Russia (refer to Note 1). Other related parties in the tables below comprise subsidiaries of the Bank of Russia, key management personnel, their close family members, associated companies of the Group. Disclosures are made in Note 22 for significant transactions with state-controlled entities and government bodies.

As at 31 March 2018 and 31 December 2017, the outstanding balances with the Bank of Russia and other related parties were as follows:

	31 March 2018 (unaudited)		31 December 2017	
in billions of Russian Roubles	**Bank of Russia**	**Other related parties**	**Bank of Russia**	**Other related parties**
Assets				
Cash and cash equivalents	701.7	16.8	920.4	—
Mandatory cash balances with the Bank of Russia	161.9	—	158.9	—
Derivative financial assets	—	1.4	—	2.4
Due from banks	147.0	0.8	5.2	6.9
Gross loans and advances to customers before credit loss allowance	—	48.7	—	42.2
Securities	99.4	—	10.2	—
Other assets	—	7.2	—	0.2
Liabilities				
Due to banks	82.9	0.4	90.5	0.1
Due to individuals	—	10.9	—	10.1
Due to corporate customers	—	2.9	—	1.8
Derivative financial liabilities and obligations to deliver securities	—	8.2	—	16.6
Subordinated debt	512.1	—	504.4	—
Other liabilities	—	5.0	—	3.0

As at 31 March 2018 included in operations with other related parties are deposits attracted from key management personnel and their close family members in the amount of RR 10.9 billion (31 December 2017: RR 10.1 billion). As at 31 March 2018 and 31 December 2017 there were no loans and advances granted to key management personnel and their close family members.

21 Related Party Transactions (continued)

The income and expense items with the Bank of Russia and other related parties for the three months ended 31 March 2018 and 31 March 2017 were as follows:

				Three months ended 31 March
		2018		2017
(unaudited) *in billions of Russian Roubles*	Bank of Russia	Other related parties	Bank of Russia	Other related parties
Interest income calculated using the effective interest method	5.6	0.5	3.6	0.7
Interest expense on subordinated debt calculated using the effective interest method	(7.8)	—	(7.8)	—
Interest expense calculated using the effective interest method other than on subordinated debt	(1.6)	(0.2)	(1.8)	(0.1)
Commission income	0.1	—	0.2	—
Commission expense	(0.3)	—	(0.3)	—
Staff and administrative expenses	—	(0.2)	—	(2.0)

For the three months ended 31 March 2018, interest expense on deposits attracted from key management personnel and their close family members comprised RR 0.1 billion (for the three months ended 31 March 2017: RR 0.1 billion).

For the three months ended 31 March 2018, regular remuneration of the members of the key management personnel comprised salaries and bonuses totaling RR 1.2 billion (for the three months ended 31 March 2017: RR 1.1 billion). Payments to the key management personnel for the three months ended 31 March 2018 comprised RR 1.0 billion (for the three months ended 31 March 2017: RR 0.9 billion).

Also in 2015 the Bank has introduced a long term cash settled motivation program for the key management personnel with share-based features. The program has been designed within a framework of risk oriented remuneration and is in full compliance with the requirements of the Bank of Russia on the remuneration system for Russian credit institutions. The program parameters are as follows:

- 40% of the variable part of the annual compensation is deferred and is paid in 3 annual installments;
- payments to the participants of the program are contingent upon the Bank's positive performance, e.g. if the Bank has a loss in any of the 3 years following the year in which the award was granted, payments to the participants are forfeited for that particular year;
- awards may be fully or partially forfeited, for example, due to individual misconduct (including a breach of regulations) or termination for cause and also due to negative individual contributions to the Bank's results.

Share-based long term compensation is payable in cash, and is remeasured at each reporting date based on the forward price of the Bank's ordinary shares. For the three months ended 31 March 2018 share-based long term compensation (including remeasurement of the outstanding balance to reflect changes in the price of the Bank's ordinary shares) has amounted to RR 1.4 billion (for the three months ended 31 March 2017: RR 0.7 billion). Payables on share-based long term compensation as at 31 March 2018 amounted to RR 3.7 billion (31 December 2017: RR 2.2 billion). The related obligations are included in other financial liabilities in the interim consolidated statement of financial position until paid.

22 Operations with State-Controlled Entities and Government Bodies

In the normal course of business, the Group enters into contractual agreements with the government of the Russian Federation and entities controlled by it. The Group provides the state-controlled entities and government bodies with a full range of banking services including, but not limited to, lending, deposit-taking, issue of guarantees, operations with securities, cash and settlement transactions. Operations with state-controlled entities and government bodies are generally carried out on market terms and constitute the minority of the Group's operations.

Balances with state-controlled entities and government bodies which are significant in terms of the carrying amounts as at 31 March 2018 are disclosed below:

(unaudited) In billions of Russian Roubles		31 March 2018 Loans and advances to customers / Due from banks	Due to corporate customers / Due to banks	Guarantees issued/ Undrawn credit lines
Client	**Sector**			
Client 1	Oil and gas	392.1	41.3	10.3
Client 2	Machinery	200.6	68.2	10.5
Client 3	Oil and gas	181.4	93.4	0.2
Client 4	Oil and gas	208.1	46.6	9.5
Client 5	Machinery	62.8	50.1	100.0
Client 6	Energy	32.2	147.0	18.0
Client 7	Machinery	88.3	50.2	13.6
Client 8	Machinery	12.0	44.3	81.3
Client 9	Transport and logistics	118.5	12.0	6.2
Client 10	Machinery	—	43.9	92.4
Client 11	Machinery	28.9	34.7	70.5
Client 12	Energy	108.1	8.7	1.9
Client 13	Machinery	26.4	77.4	8.8
Client 14	Government and municipal bodies	—	100.6	—
Client 15	Banking	63.4	21.8	—
Client 16	Machinery	39.4	24.0	3.1
Client 17	Metallurgy	54.9	6.2	—
Client 18	Energy	47.8	8.5	—
Client 19	Banking	0.8	47.8	—
Client 20	Government and municipal bodies	41.1	—	—

Additionally as at 31 March 2018 balances from operations with state-controlled entities and government bodies include receivables from Deposit Insurance Agency of RR 0.5 billion (31 December 2017: RR 7.2 billion) which represent receivables recognized from settlements on deposit compensations to clients of the banks whose license was withdrawn by the Bank of Russia. These balances are included in other assets in the interim consolidated statement of financial position. Refer to Note 8.

22 Operations with State-Controlled Entities and Government Bodies (continued)

Balances with state-controlled entities and government bodies as at 31 December 2017 disclosed below contain balances of clients which are significant in terms of the carrying amounts as at 31 March 2018 (Clients 1 -20), and in addition entities with the balances which were significant as at 31 December 2017 (Clients 21-22):

In billions of Russian Roubles		**31 December 2017** Loans and advances to customers / Due from banks	Due to corporate customers / Due to banks	Guarantees issued/ Undrawn credit lines
Client	**Sector**			
Client 1	Oil and gas	424.9	41.7	15.1
Client 2	Machinery	194.4	70.5	10.7
Client 3	Oil and gas	13.0	119.5	180.2
Client 4	Oil and gas	244.0	6.4	5.3
Client 5	Machinery	60.9	55.1	108.1
Client 6	Energy	54.1	166.8	19.7
Client 7	Machinery	87.4	53.5	11.1
Client 8	Machinery	11.0	45.3	79.1
Client 9	Transport and logistics	69.2	14.9	7.7
Client 10	Machinery	—	7.1	86.5
Client 11	Machinery	31.9	47.2	74.0
Client 12	Energy	102.4	25.6	2.4
Client 13	Machinery	33.6	59.9	9.7
Client 14	Government and municipal bodies	—	20.0	—
Client 15	Banking	86.1	25.9	—
Client 16	Machinery	39.7	23.4	4.4
Client 17	Metallurgy	58.9	6.3	—
Client 18	Energy	60.1	10.1	—
Client 19	Banking	25.8	4.4	—
Client 20	Government and municipal bodies	50.9	—	—
Client 21	Telecommunications	31.0	—	20.2
Client 22	Services	47.6	3.1	—

As at 31 March 2018 and 31 December 2017 the Group's investments in securities issued by government-controlled corporate entities were as follows:

	31 March 2018 (unaudited)		**31 December 2017**	
In billions of Russian Roubles	**Corporate bonds**	**Corporate shares**	**Corporate bonds**	**Corporate shares**
Securities mandatorily measured at fair value through profit or loss (2017: trading securities and securities designated as at fair value through profit or loss)	134.5	34.5	357.5	11.3
Securities measured at amortized cost (2017: Investment securities held-to-maturity)	277.5	—	226.1	—
Securities measured at fair value through other comprehensive income - debt instruments (2017: Investment securities available-for-sale)	296.5	—	243.3	25.2
Securities pledged under repurchase agreements	—	—	—	0.3

For disclosures on investments in government debt securities please refer to Notes 6 and 7.

23 Principal Subsidiaries

The table below provides details on principal subsidiaries of the Bank as at 31 March 2018:

(unaudited) **Name**	**Nature of business**	**Percentage of ownership**	**Country of registration**
DenizBank (DenizBank AS)	banking	99.85%	Turkey
Sberbank Europe AG	banking	100.00%	Austria
OJSC BPS-Sberbank	banking	98.43%	Belarus
SB JSC Sberbank	banking	100.00%	Kazakhstan
SBERBANK PJSC	banking	100.00%	Ukraine
Sberbank (Switzerland) AG	banking	99.28%	Switzerland
Cetelem Bank LLC	banking	79.20%	Russia
JSC Sberbank Leasing	leasing	100.00%	Russia
LLC Sberbank Capital	finance	100.00%	Russia
SB CIB Holding LLC (former LLC Bylinnye Bogatyry)	finance	100.00%	Russia
Insurance company “Sberbank life insurance” LLC	finance	100.00%	Russia
Insurance company “Sberbank insurance” LLC	finance	100.00%	Russia
Sberbank Factoring LLC	finance	100.00%	Russia
JSC Rublevo-Archangelskoe	construction	100.00%	Russia
LLC Sberbank Investments	finance	100.00%	Russia
LLC Aukcion	services	100.00%	Russia
PS Yandex.Money LLC	telecommunications	75.00% minus one Russian Rouble	Russia
LLC Digital Technologies	digital business	100.00%	Russia
JSC Non-state Pension Fund of Sberbank	finance	100.00%	Russia

The share of the subsidiaries of the Bank in the consolidated assets of the Group as at 31 March 2018 was 20.7% (31 December 2017: 20.4%).

24 Capital Adequacy Ratio

The Group's objectives when managing capital are (i) to comply with the regulatory capital requirements set by the Bank of Russia and (ii) to safeguard the Group's ability to continue as a going concern.

According to requirements set by the Bank of Russia regulatory capital ratio N1.0 has to be maintained by the Bank above the minimum level of 8.0% (31 December 2017: 8.0%). As at 31 March 2018 this regulatory capital adequacy ratio N1.0 was 16.0% (31 December 2017: 14.9%).

The Group also monitors capital adequacy ratio based on requirements of Basel Committee of Banking Supervision "Basel III: A global regulatory framework for more resilient banks and banking systems" (December 2010, updated in June 2011), commonly known as Basel III requirements. According to Basel III requirements minimum level of capital adequacy ratio is 6.0% for Tier 1 capital and 8.0% for total capital.

The capital adequacy ratio of the Group as at 31 March 2018 and 31 December 2017 calculated in accordance with Basel III requirements is disclosed below.

The requirements of the national regulator (the Bank of Russia Instruction № 180-E "Mandatory bank ratios" dated 28 June 2017) were applied in the calculation of risk weighted assets where Basel III requirements allow to apply such national regulator requirements. In particular such approach was used for the following main types of assets:

- government and municipal debt financial instruments of the Russian Federation and its subjects nominated and funded in Russian Roubles;
- specific types of loans to which higher risk weights are applied in accordance with the Bank of Russia requirements;
- correspondent accounts and mandatory cash balances with the Bank of Russia.

24 Capital Adequacy Ratio (continued)

in billions of Russian Roubles	31 March 2018 (unaudited)	1 January 2018 as adjusted under IFRS 9 (unaudited)	31 December 2017
Tier 1 capital			
Share capital	87.7	87.7	87.7
Share premium	232.6	232.6	232.6
Retained earnings	3,207.3	2,996.2	3,058.6
Non-controlling interest	6.0	4.4	4.4
Treasury shares	(10.2)	(15.3)	(15.3)
Revaluation reserve for office premises	59.3	60.8	60.8
Fair value reserve for investment securities available-for-sale	—	—	35.3
Fair value reserve for debt instruments measured at fair value through other comprehensive income	36.1	28.2	—
Foreign currency translation reserve	(32.6)	(21.0)	(21.0)
Remeasurement of defined benefit pension plans	(1.1)	(1.0)	(1.0)
less goodwill	(6.6)	(8.0)	(8.0)
less intangible assets	(78.7)	(60.8)	(60.8)
Other deductions from capital	(14.0)	(12.7)	(12.7)
Tier 1 capital	***3,485.8***	***3,291.1***	***3,360.6***
Tier 2 capital			
Eligible subordinated debt	142.8	459.7	459.7
Tier 2 capital	***142.8***	***459.7***	***459.7***
Total capital	**3,628.6**	**3,750.8**	**3,820.3**
Risk weighted assets (RWA)			
Credit risk	24,568.9	25,195.1	25,245.7
Operational risk	3,092.8	3,092.8	3,092.8
Market risk	920.0	1,081.1	1,158.3
Total risk weighted assets (RWA)	**28,581.7**	**29,369.0**	**29,496.8**
Common equity Tier 1 capital adequacy ratio (Common equity Tier 1 capital / Total RWA), %	**12.2**	**11.2**	**11.4**
Tier 1 capital adequacy ratio (Tier 1 capital / Total RWA), %	**12.2**	**11.2**	**11.4**
Total capital adequacy ratio (Total capital / Total RWA), %	**12.7**	**12.8**	**13.0**

In the table below is disclosed the leverage ratio as at 31 March 2018 and 31 December 2017 calculated in accordance with “Basel III: Finalising post-crisis reforms” requirements issued in December 2017.

(unaudited) *In billions of Russian Roubles*	31 March 2018	1 January 2018 as adjusted under IFRS 9	31 December 2017
Tier 1 capital	3,485.8	3,291.1	3,360.6
Total leverage ratio exposure	29,341.7	29,033.3	29,112.0
Leverage ratio, %	**11.9**	**11.3**	**11.5**

The Group was in compliance with external capital requirements during the three months ended 31 March 2018 and the year ended 31 December 2017.

25 Subsequent Events

On 8 April 2018 the Group made early repayment of the local exchange-traded notes of the series BO-17 in the amount of RR 10.0 billion. The notes were issued in April 2016 and had contractual interest rate of 10.0% p.a.

On 17 April 2018 Supervisory Board recommended to the General Shareholders Meeting to pay RR 271.0 billion to shareholders as dividends for the year ended 31 December 2017: on ordinary shares of the Bank - in the amount of RR 12.00 per one share, on preference shares of the Bank – in the amount of RR 12.00 per one share.

In April 2018 Sberbank and Yandex closed the deal on the set up of a joint venture based on the Yandex.Market platform. At closing, the joint venture is valued at RR 60.0 billion with two parties own equal stakes. Sberbank invested RR 30.0 billion in the joint venture. Ten percent of the joint venture's shares will be reserved for future equity awards for management and employees of Yandex.Market. The parties intend to combine the technological capabilities of Yandex and the infrastructure and technologies of Sberbank to develop a leading B2C eCommerce ecosystem.

In May 2018 Sberbank and Emirates NBD Bank PJSC signed a definitive agreement whereby Sberbank will sell its entire 99.85% stake in Denizbank for TRY 14.6 billion under a locked box mechanism. The price is based on the Denizbank consolidated equity as at 31 October 2017. In addition Emirates NBD Bank PJSC will pay interest on the consideration for the period between 31 October 2017 and the transaction closing. The considereation is settled in US Dollars and the documentation includes hedging element for the exchange rate to be determined within a specified range. As part of the transaction Emirates NBD Bank PJSC will acquire from Sberbank at nominal value Denizbank's subordinated debt previously provided by Sberbank. Upon closing of the transaction, Sberbank will cease to be a shareholder in Denizbank. The closing of the transaction is subject to regulatory approval in Turkey, Russia, the United Arab Emirates (UAE) and other relevant jurisdictions where Denizbank operates. The transaction is expected to close in 2018.

In May 2018 Sberbank issued bonds with a nominal amount of RUB 40.0 billion. The coupon rate guidance is set at 7.2% per annum. The bonds mature in five years after the placement.